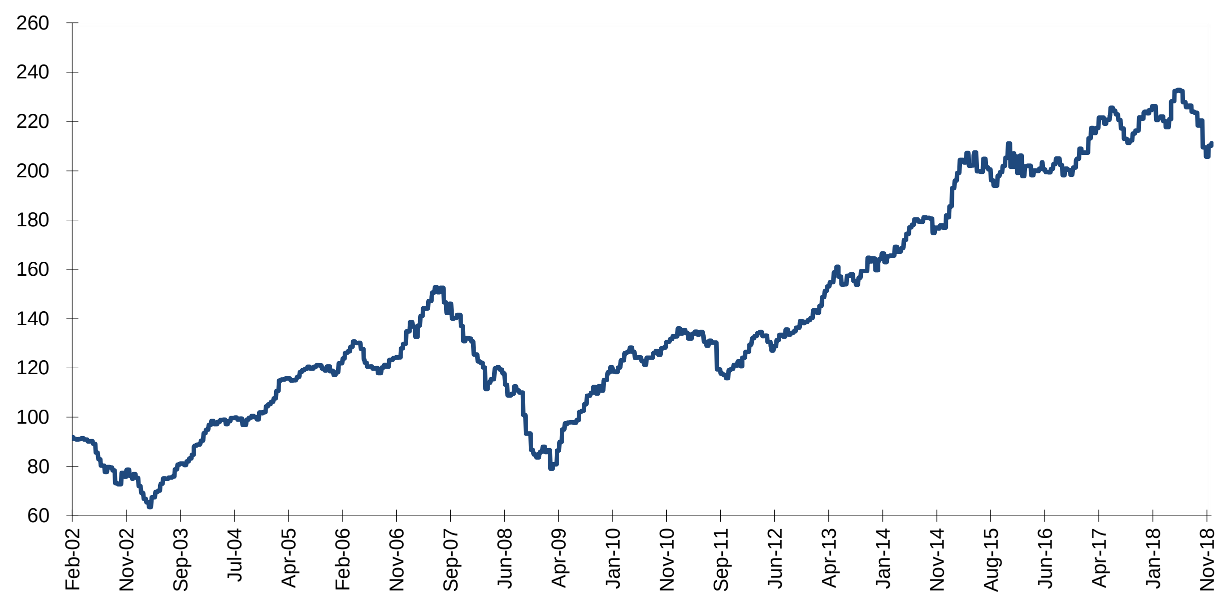
Dear Shareholder,

As is tradition at Citadel, we provide an elaborate update on your Fund twice a year. Despite rising volatility in global financial markets in 2018, the main themes are not different this time. Citadel is about seeking value and margin-of-safety in a volatile world driven by greed and fear, rocked by macro-economic slowdown and frightened by geopolitical tension. In 2018 we have witnessed a sharp correction of many expensive growth stocks as both their earnings forecasts and their high valuation multiples dropped. As we wrote before, Citadel is not immune to stock market fluctuations. No matter how safe and cheap the portfolio is, the Fund's stocks are impacted by the animal spirits of global financial markets and consequently experience temporary losses from time to time. Crucially though, the *intrinsic value of the Fund's investments* has not been materially affected.

As of November 30th, 2018, the NAV per share (class X) was EUR 211.23, down 5.9% relative to December 31st, 2017. Since inception the Fund's class X return after all expenses stands at +129.9%. So far 2018 has turned out to be a year with disappointing share price performances at a number of Citadel's holdings. Fortunately, some strong successes at several other positions have at least partly counterbalanced this picture.

Citadel Value Fund

Class X performance since inception to November 30, 2018



Fund Performance - Class X - as of Nov 30, 2018	Since inception	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 YTD
Citadel Value Fund	129,9%	-18,4%	19,3%	17,6%	11,9%	10,2%	0,8%	-34,7%	36,9%	13,6%	-6,4%	13,0%	16,5%	11,4%	13,9%	0,1%	8,3%	-5,9%

Source: EFA, D&F. X-Class inception on June 4, 2013. Fund performance prior to June 2013 estimated based on P-Class shares since Fund inception date February 11th, 2002

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.

Usually, we do not spend much time on an activity called return attribution in fund management. Being bottom-up valuation-driven stock pickers we fish where fish are, i.e. we invest in markets where value opportunities present themselves. Longer term the returns your Fund expects to realise are depending on careful business analyses and an informed judgement about the true value of a company rather than an opinion about the attractiveness of certain geographic markets or sectors. Given the remarkable diverging stock market performances around the world in 2018 and the impact this had on the return realised by Citadel versus the MSCI World Index, we nevertheless thought that providing some insight on return attribution was justified.

Despite a rollercoaster ride during the last few months, the MSCI World Index (including net dividends, in EUR) was up 4.8% year-to-date. US stocks, representing approximately 50% of the global index, were the major driver of the positive global index performance. The S&P 500 US blue chip index was the only major index in the world returning a positive performance (+3.2%). Most European indices were down significantly. Eurostoxx-50 was down 9.4%, the German DAX blue chip index was 12.9% lower and some of the Asian indices performed even worse.

The weak performance of most equity markets across the globe puts Citadel's performance into some perspective. Particularly the fact that Citadel's exposure to the expensive but well performing US market is only 9% did not support Citadel the way it did support the global index. Note that measuring the index in EUR also had a major impact. The MSCI World index performance was a negative 1.2 % measured in US$. Because the US$ appreciated no less than 6% against the Euro year-to-date, the MSCI World return was +4.8% in EUR.

A hindsight-biased observer would conclude that the right strategy for stock investments in 2018 would have been the expensive US market and not global deep value stocks. Being Euro-investors, the appreciating US$ would have contributed further to a strategy geared towards US equity. Of course, some of Citadel's portfolio companies went up or down for reasons beyond just market sentiment, which we are happy to share with you in the next section.

Some major plusses and minuses in the portfolio

A number of Citadel's investments enjoyed significant share price appreciation in the year to date. The largest return contributor was **Nakano Refrigerators**, a Japanese small cap, on which we elaborated in our previous shareholder letter. At the start of 2018, Nakano's market capitalisation roughly equalled the company's cash balance. Buying the shares, you'd get the profitable and cash flow generative business essentially for free. Although the Fund pocketed a justified 46% total return year-to-date, the stock remains inexpensive.

The number two performer was **TGS Nopec**. Norway-based TGS provides seismic services to the on- and offshore oil & gas industry. As of early 2018, a cyclical recovery started to take shape in the oil industry. The stock market reacted accordingly, propelling TGS stock by 36%. This strong performance could have been even higher if the oil sector sentiment had not deteriorated significantly over the past few months, caused by a sliding oil price. The Fund's stakes in food retail companies **Ahold Delhaize** and **Village Super Market** were responsible for a solid performance contribution as well. The market environment for food retail in the US market has developed positively during 2018 and both companies are well positioned for continued same store sales growth.

Top-5 performance contributors & detractors
January 1st 2018 to November 30th 2018

Holding	Contribution	Absolute return	Holding	Contribution	Absolute return
Nakano Refrigerators	2.2%	46.2%	Pronexus Inc.	-1.9%	-22.8%
TGS Nopec	1.4%	35.9%	Nongshim Holdings	-1.8%	-30.0%
Ahold Delhaize	1.2%	22.8%	CNIM	-1.2%	-25.2%
Village Super Market -A-	1.1%	29.0%	Toyota Industries Corp.	-1.1%	-14.6%
Dewhurst PLC -A-	0.4%	6.9%	Nongshim Co.	-1.0%	-27.5%

Note: Returns include dividends

All in all, Citadel's holdings performed well in the first half year of 2018, followed by a period of weaker share prices in the second half. Particularly some of the Fund's larger holdings underperformed in recent months. Among them were **Pronexus**, the leading regulatory filing and investor relations services provider in Japan. Despite realising healthy financial results and trading at an undemanding valuation, the stock traded considerably lower during the year. Also

Nongshim, a Korean branded food & beverage producer, suffered from significant share price pressure. The Fund has a small stake in the listed operating company as well as a larger stake in the much cheaper Nongshim holding company. Nongshim had to cope with increased competition from other food producers that have been attacking its domestic leadership position in instant noodle soups. Defending its market share has impacted profitability particularly in the second quarter of 2018, while the third quarter showed some recovery.

Among the Fund's exposure to industrial companies, **CNIM** (waste-to-energy facility constructor and operator) and **Toyota Industries** (7.8% stake in Toyota Motor, supplier of automotive parts and a global leading forklift producer) realised double-digit share price declines. While the order intake outlook for CNIM is bright, the company's 2018 earnings suffer from lower profitability on some of the current projects executed in the UK. Toyota Industries' results have been generally strong – and the stock is an outright bargain – but this did not prevent the shares from incurring temporary losses this year.

Portfolio movements during 2018

2018-to-date, the Fund sold two of its holdings and reduced the weighting of five other holdings. Earlier in the year, the Fund sold its stake in **Independent News & Media**, the leading media company in Ireland. As explained in our previous shareholder letter, the main reason for selling the position was an increasing level of uncertainty beyond the ordinary business risks (mainly governance & legal issues) we felt uncomfortable with.

The other position we sold was **Hanil Cement**. After Hanil acquired its competitor Hyundai Cement, it became the de facto market leading cement producer in Korea. When relations between North and South Korea seemed to ease, the stock enjoyed a positive ride and the Fund reduced its position. Then, Hanil executed its intention to split the company into the Hanil Cement operating company and '**Hanil Holdings**', a holding company consisting of all other assets (including Hyundai Cement). After completing this first action, Hanil Holdings announced a tender offer for a significant part of Hanil Cement shares not yet owned by this new holding company against shares in the holding company. The Fund took the opportunity to sell its position in Hanil Cement in the market as we felt not at ease owning the far end of the business not directly owned by the controlling family shareholders. The proceeds were invested back in Hanil Holdings. The decision to do this trade in the market as opposed to accepting the tender offer was driven by our desire to avoid paying local capital gains tax. While the sale of Hanil Cement was done at a modest 30% total return, the reward was found in Hanil Holdings shares strongly appreciating after the transaction. Hanil Holdings was trading at a steep discount to the valuation of its listed holdings and still has ample upside left.

Changes in the Portfolio
January 1st 2018 to November 30th 2018

Holdings bought or added to	Holdings reduced, sold or acquired in a buy-out
Berentzen	Ahold Delhaize
CNIM	Hanil Cement
Hanil Holdings	Independent News & Media
National Oilwell Varco	Nongshim Holdings
Signify	Signaux Girod
	TGS Nopec
	Village Super Market

We reduced the weighting of **Ahold Delhaize**, **Nongshim Holdings, Signaux Girod, TGS Nopec** and **Village Super Market,** chiefly for portfolio management and risk management reasons. The position in TGS Nopec was reduced after a quite strong share price performance, realising a 70% return on average. Both Ahold Delhaize and Village Super Market stock have rebounded by over 20% since we added to both existing positions mid-2017. **Signaux Girod**, a French small cap active in road signalisation, divested part of its operations and paid out a special dividend amounting to roughly a third of its market capitalisation. We decided to reduce the remaining position in what has now become an insignificant position of the Fund.

Based on the Fund's disciplined investment approach, we are only willing to increase the weighting of an existing position in case the share price offers at least the same margin of safety as we demand when evaluating new investment opportunities. Based on this rationale, we raised the weightings in **Berentzen** (branded and private label drinks producer), **CNIM** (waste-to-energy facilities and industrial equipment), **National Oilwell Varco** (oil industry equipment and components) and **Signify** (lighting and lighting systems). We reckon that the recently increased stock market volatility might create additional investment opportunities in the near future.

Portfolio Holdings
as of 30 November 2018

Company	Activity	% of NAV
GS Home Shopping	speciality retail (TV home shopping network)	7.0%
Nakano Refrigerators	industrial goods (commercial refrigerators, coolers & displays)	6.9%
Pronexus	business services (printed & electronic financial documentation)	6.5%
Toyota Industries Corp	industrial goods (Toyota, forklifts, engines, cars & parts)	6.3%
Dewhurst -A-	industrial goods (elevator fixtures & controls)	5.3%
Ahold Delhaize	retail (supermarkets)	5.1%
Village Super Market -A-	retail (supermarkets)	4.7%
Signify	industrial goods (lighting, lighting electronics, lighting systems)	4.4%
National Oilwell Varco	industrial goods (oil field equipment & services)	4.3%
Daekyo -preferred-	consumer services (education)	3.7%
Berentzen Gruppe	consumer goods (spirits & beverages)	3.7%
CNIM	industrial engineering & equipment (waste-to-energy plants)	3.5%
TGS Nopec	industrial services (seismic data)	3.4%
Nongshim Holdings	holding co. (Nongshim, packaging, ingredients)	3.3%
Hanil Holdings	holding co. (Hanil Cement, Hyundai Cement)	3.0%
Zwack Unicum	consumer goods (spirits)	2.6%
Nongshim Co.	consumer goods (food & beverages)	2.5%
Proto Corp.	media (internet, magazines & data products)	2.5%
MPAC Group	industrial goods (packaging machinery)	2.3%
Bijou Brigitte	speciality retail (costume jewellery stores)	1.1%
Signaux Girod	industrial goods (traffic signs)	0.6%
Cash and other assets & liabilities		17.1%
		100.0%

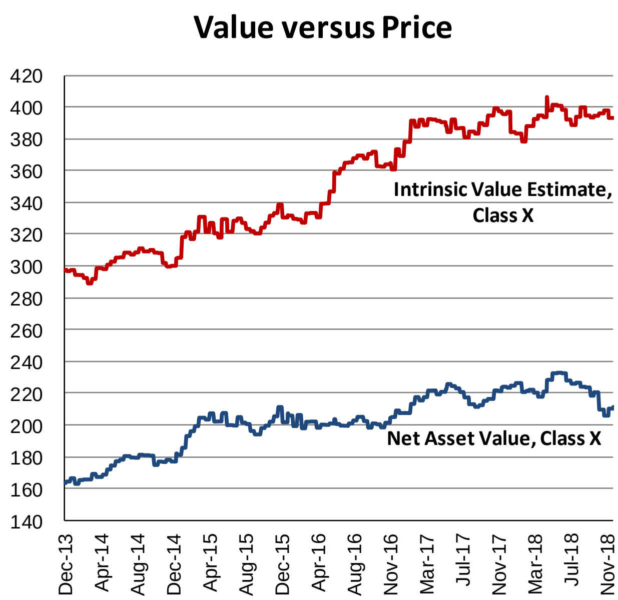
As per November 30th, 2018, the portfolio consisted of holdings in 21 companies. The top-5 of the portfolio consists of three Japanese companies, a Korean business and a UK company. Companies listed in Europe represent around one third of the Fund's NAV. The Fund's largest exposure to a single country is Japan, accounting for 22% of the Fund, a significant overweight relative to the global index. The exposure of Citadel to the US has remained small at 9%. Ranked by industry exposure, the largest concentrations are in industrial goods (34%), consumer staples (22%) and industrial services (10%). In these sectors, we tend to find healthy, predictable businesses with defendable market positions and solid financials. The Fund's cash balance (net of other assets & liabilities) per November 30th was 17% of NAV. This percentage went up modestly in the last months due to a combination of selling as well as a net inflow of funds. Cash is our default investment option but we are happy to put it to work as soon as investment opportunities that meet our stringent criteria are identified.

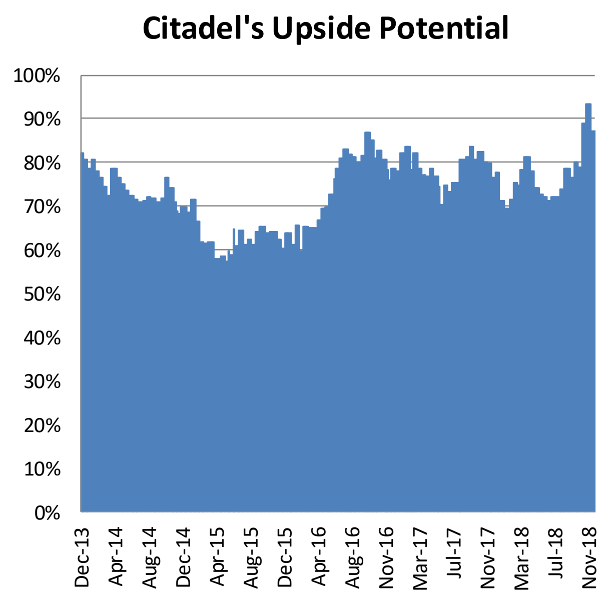
Long-term Intrinsic Value versus short-term stock market prices

Citadel's priority is to avoid permanent capital loss. This is defined as loss of value through a permanent impairment of our estimate of a company's value. With this we don't refer to the regular small changes in value estimates that occur for example as a result of slightly better or worse annual results or the impact from currency movements. Sizeable permanent impairments would happen for example if a company's debt load becomes too large to service or debt covenants on bank debt are breached. Another example is the introduction of a competing technology making the company's main product or service obsolete. Citadel is focused on avoiding these types of risk by seeking to select financially stable companies with healthy predictable businesses. An additional layer of risk reduction is what sets the true value investor apart: we look for a significant margin of safety in buying companies at a much cheaper level than our assessment of its intrinsic value.

Recently, volatility increased in global stock markets and the share prices of highly valued as well as of some cheaper stocks fell. This is what we call temporary loss. Temporary because there is no need to sell at lower prices and usually the companies' business fundamentals are not impaired just because of lower share prices offered on the market. On a frequent basis, we track the Intrinsic Value of the Fund's portfolio – the weighted average of the individual holdings' value estimates. We adjust the intrinsic value estimate as soon as we have new information. This could be after a results announcement or after discussing the business with company management or industry specialists. Adding a new investment to the portfolio usually raises the weighted intrinsic value. A downward adjustment of a portfolio company's intrinsic value estimate would lower the overall intrinsic value.

In the charts below we plotted *value versus price* for the last five years: the intrinsic value of Citadel versus its Net Asset Value (i.e. the share price). The recent stock market correction is visible, with the NAV (blue line) ending up at around EUR 211 per share. The red line is the Fund's intrinsic value estimate, currently around EUR 393 per share, an upside of 86%. As the graph points out, the intrinsic value has been on a comparatively steady upward trajectory. In other words – no significant permanent capital loss. The right hand graph shows the upside potential, being the difference between the intrinsic value and the NAV. During the recent stock market pressure the upside has even increased to above 90%, the highest level in 5 years.





Another way of looking at Citadel's margin of safety is its average portfolio valuation. Currently the Fund's "look-through" valuation is a multiple of 4x last year's operational earnings (EV/EBITDA). In fact, five years ago Citadel was trading around the same multiple. Through active portfolio management (purchases of cheap stocks and sales of stocks that had appreciated towards fair value) the overall portfolio valuation has remained quite low. This is in stark contrast to the MSCI world benchmark index trading at 11x EV/EBITDA. Although lower than a few months ago, it is still quite high compared to the average index valuation of around 8x EV/EBITDA when looking 5 or 6 years back. We certainly see a healthy margin of safety when judging Citadel's current portfolio.

Dewhurst Plc – lifting its value

A perhaps unknown yet nice example of a value investment is Citadel's stake in **Dewhurst Plc**. Dewhurst is a family-run business, trading on the London Stock Exchange. It has just commenced its hundredth year of operation. Dewhurst is one of those companies that have created a niche business that is stable, defendable and profitable. Operating performance has been developing nicely over a very long period of time based on a consistent long-term strategy. The company's main products are fixtures, push buttons, indicators, control software and key pads predominantly for the lift market. Dewhurst is producing or assembling a broad spectrum of lift components and selling them in various local markets around the globe. Although their stronghold is in the UK, two thirds of revenue and three quarters of operating profit stem from North America, Asia/Australia and mainland Europe.

It is interesting to see that a business seemingly selling commodity components can grow steadily and has consistently been making operating margins in an 8-12% range for the last 20 years. Over the same period the company reported a positive free cash flow in every single year. Dewhurst has no bank debt and has financed its working capital and growth investments entirely from self-generated cash. On the right occasions, it complemented its organically grown market positions with acquisitions of privately held lift component businesses, bought at very attractive multiples. Despite all the Brexit uncertainties, Dewhurst managed to present profit growth once again for fiscal year 2018 (financial year ends in September). Despite currency headwind but partly helped by a recent acquisition of a very profitable lift components distributor in the UK, it was able to slightly exceed the 12% margin bandwidth this year. Although management is hesitant to say anything about the outlook in the current uncertain UK market environment, the majority of their businesses outside the UK offer strong perspectives.

To us it is clear that Dewhurst does many things right from a shareholder's perspective (maybe not surprising given the fact that it is already 100 years family controlled). Most important of all, the company has created a sustainable competitive edge based on quality, reliability and local presence. Secondly, management (partially consisting of various Dewhurst family members) has been cost conscious and risk adverse. We like the fact that executive pay is modest and management having significant skin in the game by way of shareholdings. Thirdly, management has excelled at sound capital allocation. From time to time the company acquired relatively small add-on companies they got well acquainted with for years before buying them – doing so at very attractive prices. In addition, a considerable part of the free cash flow has been allocated to fund a handsome dividend pay-out.

Usually companies do not come cheap if virtually all boxes can be checked. Well, dear reader, whilst Citadel has bought its original position at 3x operating profit and profits have doubled since then, today one could purchase a share still at only 5x operating profit. The only compromise is that you'd need to buy the cheaper class-A shares that do not carry any voting rights. As family & management with a long history of value creation are majority holders of the ordinary shares with voting rights anyway, voting rights do not seem to carry much value in practice. By the way, the same family members hold significant stakes in the non-voting class as well. The dividend pay-out does not differ between the share classes, resulting in a higher dividend yield of the non-voting shares. Dewhurst is a significant holding within the Fund's portfolio and even though the share price has tripled since becoming a shareholder, we continue anticipating a positive performance. It is a great example of an outstanding deep-value investment case.

In conclusion

Depressed stock markets sometimes create testing times for investors. That is the emotional price to be paid for the fact that the stock market puts a price tag on your possessions every day. Rationally, the positive side of lower prices is the opportunity it creates to buy on the cheap. As long-term investors we put our negative emotions about lower share prices aside and look at investment cases strictly from a business point of view. Currently Citadel has cash at hand to pick up lucrative opportunities as they may arise. Perhaps counter-intuitive for investors who let negative emotions invade their rational thinking, we actually start becoming more enthusiastic as market valuations drop. We hope you share our enthusiasm. We would like to thank you for your continued trust.

We wish you and your loved ones a wonderful holiday season and Merry Christmas!

Kind regards,

The Board of Directors
Citadel Value Fund SICAV

December 17th, 2018