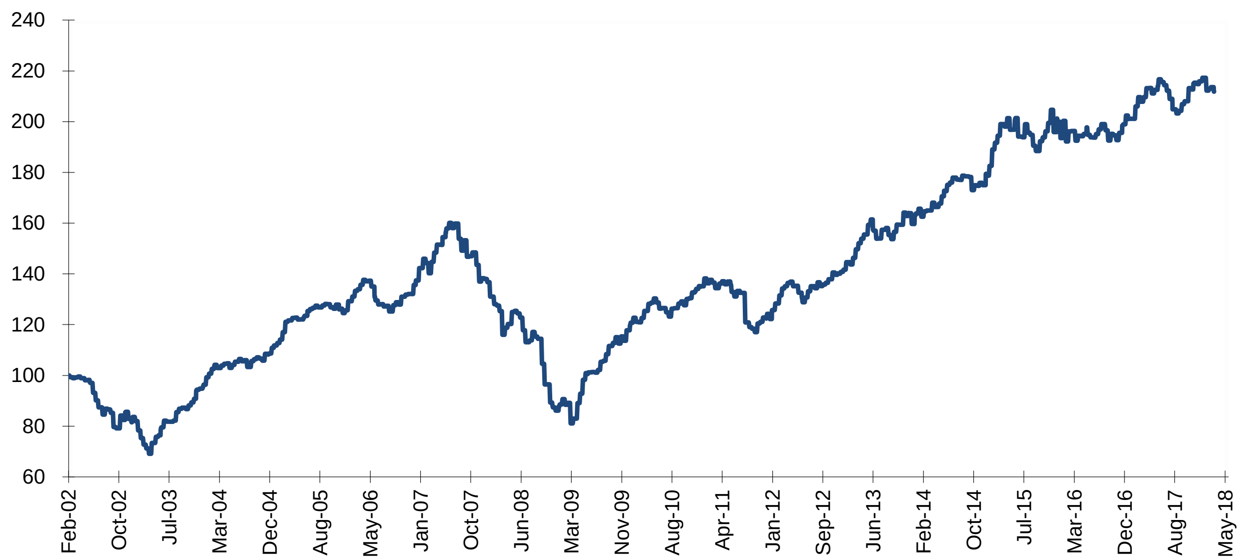
Dear Shareholder,

As the Fund's financial year closed on May 31st we are happy to report to you about the recent developments of the Citadel Value Fund. Volatility returned to the markets earlier this year, which we believe is essentially a good thing. In volatile markets, equity prices fluctuate more heavily than the underlying intrinsic value of the businesses. New investment opportunities are created as a result. While your Fund is certainly not immune to these short-term stock market fluctuations, the opportunities they offer are a necessary condition for healthy future returns.

As of May 31st, 2018, the NAV per share (class P) was EUR 222.85, up 3.3% relative to December 31st, 2017. Since inception the Fund's class P return after all expenses stands at +122.9%. The investment philosophy of the Fund, unchanged since its inception in 2002, is centred on the **margin of safety** concept. We invest in healthy, predictable, and cash flow positive businesses with solid balance sheets – but do so only if we can invest at a substantial discount to the estimated intrinsic value. This approach greatly reduces the risk of permanent capital loss whilst generating healthy long-term returns without applying any hedging, shorting or leveraging strategies.

Citadel Value Fund

Class P performance since inception to May 31, 2018



Fund Performance - Class P - as of May 31, 2018	Since inception	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 YTD
Citadel Value Fund	122,9%	-18,4%	17,0%	17,2%	12,0%	9,7%	-0,5%	-35,8%	36,2%	12,9%	-6,9%	12,7%	15,1%	10,1%	12,2%	-0,1%	7,4%	3,3%

Source: EFA. 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.

The MSCI World Index (including net dividends, in EUR) was up 3.4% year-to-date, a 0.1% difference with Citadel's year-to-May 31st performance. Interestingly, the worldwide stock market performance was driven by major outperformance of US-based technology stocks. The indices of most of the important world economies (e.g. the Dow Jones, the Japanese Nikkei and the German DAX) showed negative year-to-date performance data. The performance of the NASDAQ-100, however, dwarfed every other index by gaining 8.9% in five months. The stocks aggregated in this index are now valued at a staggering weighted average multiple of 16x EV/EBITDA. This valuation level is discounting very substantial earnings growth expectations. Needless to say, we feel much safer with Citadel's current 'see-through' valuation multiple of 4.5x EV/EBITDA, while Citadel's holdings carry net cash on their balance sheets rather than a significant debt load.

Strong performance in the portfolio across various sectors and geographies

Citadel's holdings performed generally well in the first five months. The level of positive absolute returns was significantly higher than that of the negative absolute returns. On the shadow side, the Fund's two largest holdings had a negative performance, which curbed the Fund's overall performance year-to-date.

The largest return contributor was **Nakano Refrigerators**, a Japanese small cap, on which we will elaborate later on in this letter. The number two performer was **TGS Nopec**. Norway based TGS provides seismic services to the on- and offshore oil & gas industry. Despite its cyclical nature, TGS has invested counter-cyclically. Thanks to its healthy balance sheet, it has been able to do so in a way its direct competitors were unable to do. The big win of this strategy is that seismic data gathering is much cheaper during a cyclical low, but the data can be sold at higher prices in an upcycle. It is this mechanism that will pay off for TGS in the coming years. In 2017, we doubled the Fund's position in TGS, pursuing to invest as counter-cyclical as TGS itself. As of early 2018, we have witnessed a cyclical recovery starting to take shape. The stock market reacted accordingly, propelling TGS stock by +46% in just 5 months.

Another strong return contributor was **Village Super Market**, a regional food retail chain operating on the United States East coast. 2017 hasn't been a great year for Village, due to ongoing food deflation and competitor store openings while some store openings / renewals at Village were still underway. The tide has turned this year with improving same store sales growth. Later this year, we expect Village to start benefiting from some major store remodellings and a new store opening. The Fund utilised last year's share price weakness to increase its position in Village and already benefitted this year.

Most significant performance contributors & detractors
January 1st, 2018 to May 31st, 2018

Holding	Contribution	Absolute return	Holding	Contribution	Absolute return
Nakano Refrigerators	2.0%	37.8%	GS Home Shopping	-1.5%	-18.2%
TGS Nopec	1.7%	46.3%	Pronexus Inc.	-1.1%	-12.2%
Village Super Market -A-	1.3%	31.8%	Signify	-0.6%	-11.2%
MPAC Group	1.3%	41.3%	CNIM	-0.5%	-9.6%
National Oilwell Varco	1.0%	21.2%	Toyota Industries	-0.4%	-5.5%
Hanil Cement	0.9%	22.7%	Nongshim Co.	-0.2%	-5.4%

Note: Returns include dividends

Just like last year, we can mention **MPAC Group** as a strong performer. UK-based MPAC (formerly known as Molins) is a producer of packaging machinery mainly for the food processing and pharma industries. The Fund's position enjoyed a weighted average return of over 100% during 2017. Yet in the first five months of 2018, the stock advanced by another 41%. Reasons are a strong improvement in profitability and continuing strong order intake. Even after the tremendous share price performance, cash at hand still represents about three quarters of the current market capitalisation.

Some of the Fund's larger holdings underperformed in the recent months. **GS Home Shopping** is one of Korea's leading e-commerce shopping channels and one of the Fund's largest holdings. The company saw its share price decline after a string of positive results; perhaps too positive in the minds of the left-wing government in Korea. Consumer channels that show healthy profitability might come under some sort of regulatory scrutiny in order to make sure that the consumer does not pay too much for its products. Having said that, the share price of GSHS provides quite a margin of safety: it is trading at an EV/EBITDA multiple of close to zero. The current share price merely reflects the size of the cash balance & marketable securities. The profitable and cash-generating business is essentially free. It is a business with a strong consumer brand, a healthy 11% EBIT margin, positive free cash flow and negative capital employed (due to customers paying in advance). We believe that this type of high quality business does not come much cheaper.

Another stock worth mentioning is **Signify** (formerly Philips Lighting). Signify's share price went down 11% year-to-date, chiefly due to weak first quarter results. In particular, the Home Systems segment showed lower than expected revenue and profitability. This is the smallest business segment and not the one we believe is most important for future shareholder value creation. The reason for the disappointing results can be found in too ambitious growth expectations at US resellers for fourth quarter sales last year. These expectations did not entirely materialise. As a consequence, the sales channels have to cope with unsold inventory that has to be cleared during the first half of 2018. This has a short term volume impact on Signify (basically it is a volume- and earnings shift from 2018 to 2017). Long term we believe the case has not fundamentally changed – only the stock got cheaper.

Portfolio movements during 2018

2018-to-date, the Fund sold one of its holdings and reduced the weighting of four other holdings. The Fund sold its stake in **Independent News & Media**, the leading media company in Ireland. The decision to divest the entire position was not because of a demanding valuation: the stock is still trading at around 2x 2017 EBITA. The operating profitability and free cash flow generation is still healthy despite being under pressure. The balance sheet is very solid. What made us uncomfortable owning the stock going forward was the unhealthy governance situation and the myriad of legal proceedings against the company. The largest shareholder (29.9% stake) has appeared to play an unfair role, putting the interests of minority shareholders at risk and hampering corporate development. While almost the entire management board and supervisory board has been replaced by now, we fear that this unrest and the time consuming (and costly!) court cases will continue to result in reduced focus on managing the business challenges. While it is a shame to sell an interesting business at a low valuation, safeguarding the low risk profile of the Fund is always paramount.

Changes in the Portfolio
January 1st, 2018 to May 31st, 2018

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

We reduced the weighting of **Ahold Delhaize**, **Hanil Cement**, **Nongshim Holdings** and **TGS Nopec** for portfolio management and risk management reasons. Particularly TGS Nopec and Hanil Cement enjoyed strong performances, triggering limited weighting reductions. Ahold Delhaize stock has rebound by over 20% since we added to the existing position mid-2017.

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. Thanks to increased stock market volatility in recent months, the Fund was able to increase several positions at very interesting price levels. We added to the position in **CNIM**, the French engineering specialist in the field of waste-to-energy plants and industrial precision instrumentation. After our initial investment in 2017, we became even more enthusiastic about the company's chances of winning substantial orders for constructing and operating major new waste-to-energy facilities in 2018 and 2019. In addition, the company improved the footprint of its industrial & precision instrumentation business segment by acquiring optical and radiation instruments specialists and selling parts of the business that had limited synergy potential. Overall profitability in 2017 was in line with the preceding year – which was disappointing to the market. We had elaborate discussions with company management about its financial performance and future prospects and felt comfortable adding to the Fund's existing position at a very attractive share price level.

Following the 17Q4 results of **National Oilwell Varco**, we added to the existing position your Fund already owns in this well-run company. NOV reported double-digit revenue growth in Q4, doubled its EBITDA in 2017 and talked about several other indicators showing that its oil equipment end-markets are nearing their inflection point. With 'Mr. Market' apparently in a depressed mode at that point in time, the share price initially went down to a level offering us the safety margin we were looking for, before going up again.

We also increased the Fund's relatively small position in **Signify** (Philips Lighting). As already said, the company suffered from a short-term setback in its Home Systems business, sending the share price down. Because in our judgement this temporary setback hardly changed the long-term business outlook we purchased additional shares at a bargain valuation (double-digit free cash flow yield, while the company has an attractive capital allocation / shareholder return policy).

Portfolio Holdings
as of 31 May 2018

Company	Activity	% of NAV
Pronexus	business services (printed & electronic financial documentation)	6.9%
Toyota Industries Corp	industrial goods (Toyota, forklifts, engines, cars & parts)	6.5%
Nakano Refrigerators	industrial goods (commercial refrigerators, coolers & displays)	6.0%
GS Home Shopping	speciality retail (TV home shopping network)	5.7%
National Oilwell Varco	industrial goods (oil field equipment & services)	5.0%
Dewhurst -A-	industrial goods (elevator fixtures & controls)	4.9%
Village Super Market -A-	retail (supermarkets)	4.7%
Ahold Delhaize	retail (supermarkets)	4.6%
TGS Nopec	industrial services (seismic data)	4.6%
Nongshim Holdings	holding co. (Nongshim, packaging, ingredients)	4.6%
Hanil Cement	materials (cement production)	4.2%
Signify	industrial goods (lighting, lighting electronics, lighting systems)	3.8%
CNIM	industrial engineering & equipment (waste-to-energy plants)	3.8%
MPAC Group	industrial goods (packaging machinery)	3.7%
Daekyo -preferred-	consumer services (education)	3.7%
Berentzen Gruppe	consumer goods (spirits & beverages)	3.7%
Nongshim Co.	consumer goods (food & beverages)	3.0%
Zwack Unicum	consumer goods (spirits)	2.6%
Proto Corp.	media (internet, magazines & data products)	2.4%
Signaux Girod	industrial goods (traffic signs)	1.3%
Bijou Brigitte	speciality retail (costume jewellery stores)	1.3%
Cash and other assets & liabilities		12.8%
		100.0%

On May 31st, 2018 the portfolio consisted of holdings in 21 companies. As a result of the significant share price performances of some shares, and the recent additions and reductions, the portfolio top-5 of now consists of three Japanese companies, a Korean business and a US company. Companies listed in Europe represent roughly one third of the Fund's NAV. The Fund's exposure to Asia is significant, but the weighting of the Fund in Korea has been clearly reduced in the last 6 months. The exposure of Citadel to the US equity market has remained small, but increased from 7% to 10% of the Fund's NAV, on the back of strong performance and additional purchases. Ranked by industry exposure, the largest concentrations are in industrial goods, consumer staples and industrial services. In these sectors, we tend to find healthy, predictable businesses with defendable market positions and solid financial performances. The Fund's cash balance (net of other assets & liabilities) per May 31st, 2018 was 12.8% of NAV. This number has come down from 18.9% at May 31st, 2017 mainly as a result of net portfolio additions and performance.

Safety in uncertain times: focus on avoiding permanent capital loss

We are living in uncertain times – may it be due to geopolitical tension, unconventional monetary policy or disruption by technological developments. What does this uncertainty bring to the table? For sure, it raises additional questions and creates the need for additional analysis when selecting investments. It increases the necessity to detect new type of risks and to try avoiding them. Investors who are told they avoid risk by just buying an index product are not necessarily reducing their risk profile. In our view equity indices have become riskier in recent years due to their exposure to highly valued index stocks. An additional risk factor is the staggering average debt load of companies represented in major equity indices. What exactly did we learn again from the financial crisis 10 years ago?

Under these circumstances, increased market volatility would be a logical consequence. Citadel is not immune to market volatility. Temporary capital loss, i.e. share prices that will temporarily come down due to market turmoil, has been and will always be part of equity investing. But permanent, as opposed to a temporary, capital loss is the only risk we think is really worth worrying about. Permanent capital loss can be caused by business and financial risks a company is exposed to, as opposed to stock market swings. Stock market turmoil in itself does not influence the value of a company.

Not only are the companies selected by Citadel "safe and cheap", meaning that they all run financially healthy, predictable businesses and have healthy balance sheets that enable them to cope with external shocks. But (and this is the crucial safety valve of value investing) we have purchased shares in these companies at considerable discounts to their estimated intrinsic values. This provides the Fund with a very healthy margin-of-safety and therefore protects its owners against risk of permanent capital loss.

The Fund has a long-term view on capital appreciation. Although stock prices can fluctuate wildly in the short term, most companies' prospects don't actually change that much and certainly not that quickly. We see volatility as a positive aspect of public markets, because it can give us wonderful opportunities to buy good companies at great prices (and mutatis mutandis to sell them at good prices). The first few months of 2018 were testimony to this strategy as we already described earlier in this letter. A great example of the margin-of-safety we are generally looking for is our investment in **Nakano Refrigerators**. Nakano is a profitable, sound and well-run business with an extremely healthy financial position. Citadel was able to purchase it at a huge discount to its intrinsic value. Due to market volatility a few years ago, the position could even be increased at an attractive level.

Nakano Refrigerators: a birthday present

Nakano Refrigerators has been part of Citadel's portfolio since 2012. The company was founded in Tokyo in 1917 and specialises in producing commercial freezers and show cases for chilled food. Its main clients are Japanese convenience stores, super markets and specialty stores. It also sells cooling equipment for food distribution centres and large commercial facilities. Maintenance & repair services are an important part of the business and are a strong recurring profit generator. Slightly over 90% of revenue is generated in the domestic Japanese market, the balance in China.

Customers of Nakano tend to plan major equipment investment projects in certain cycles. Therefore, we have seen peak years at Nakano during which revenue was 40% above the normal level and profits were twice the average. 2012 and 2014 were peak years and 2015-2017 have been average years. Despite the existence of significant up and down years, the business has been consistently profitable since 1994 (the first year in our financial data series). The EBIT margin has hovered around 10% in "average" years and up to 17% in peak years. Also the Return on Capital Employed (ROCE) is very strong. The fixed asset base has been quite efficient due to the highly automated production facility, while working capital is negative. Hence, free cash flow generation has been healthy.

Nakano's largest customer is the Seven-Eleven convenience store chain in Japan (part of listed Seven & I Holdings). Seven-Eleven Japan has been a major factor supporting the strong financial performance in 2012 and 2014. After years of lower capital expenditures, Seven-Eleven is planning a significant increase in store investments for 2018. The positive sentiment is helped by improving same-store-sales metrics at convenience stores in Japan. Seven-Eleven is introducing a new store layout which includes expansion of the frozen, fresh and chilled foods corner, in the expectation that this will be the main revenue driver in the convenience store segment. Having done 1300 store refurbishments in 2017, in 2018 the target is to do another 1700 stores, of which 1100 completely new stores. All of this seems good news for Nakano and is hardly reflected in the usually quite conservative management projections.

If you already thought that this is a good story, it gets even better: the current share price provides a massive margin of safety. Even though the company has been paying annual dividends and has done major share buybacks in the past, the accumulated cash balance roughly equals the market capitalisation of the company. It is trading at an EV/EBIT multiple of zero. This simply means that if you buy a share in Nakano, you essentially pay for a pile of cash and your ownership in a consistently profitable business that comes with it is for free.

We often get the question how it is possible that these kind of extreme undervaluation opportunities exist. We can only respond by cautiously pointing out that we are no “Efficient Market Hypothesis” believers and that Nakano is another proof disqualifying this scientific stock market theory. Nakano, a top-3 holding of Citadel, has been one of the best performers so far in 2018, but despite this the business is still trading for free.

Is there any hope that this stock’s upside potential would further materialise? Well, here is where the ‘birthday present’ comes in. As part of the company’s 100-year anniversary, the Nakano family recently announced its intention to focus much more on shareholder returns. One part of the measures focuses around modernisation of corporate governance. The number of outside (non-family) directors in the board will increase and an advisory board will be installed for shareholder value related matters. The members of the advisory board, as recently announced, are specialists in the field of governance, investor relations, investment analysis and accountancy. Certain investor relations enhancements will be implemented, such as increased financial disclosure and improved shareholder communication. Further, performance-based executive remuneration will be introduced. Last but not least, management will improve its capital allocation policy and has formulated targets to increase the Return on Equity (which is quite low due to the huge cash balance). This will be done by way of an increased dividend pay-out (the pay-out will double) and we understand that there will be even more room for share buybacks. The 43% (!) of shares outstanding currently held in treasury will largely be cancelled. We believe that these are giant leaps forward for a traditional Japanese family-run business. We cannot imagine that the potential of Nakano will remain unnoticed.

In conclusion

We believe your Fund is in good shape, consisting of fine businesses with significant upward potential. The businesses in which you are a part owner are well protected to the downside given their healthy financial positions – independent of stock market volatility that will or will not occur. We feel confident about the current mix of European, North American and Asian companies in the portfolio, from small caps to large caps and from industrial businesses to great consumer franchises. As we have consistently done over the past 16 years we continue to build and monitor our wish list of investment opportunities and will strike only when we can find a sufficient margin-of-safety. Thank you for your continued trust in the Fund. We wish you a great summer period.

Kind regards,

The Board of Directors June 27th, 2018
Citadel Value Fund SICAV