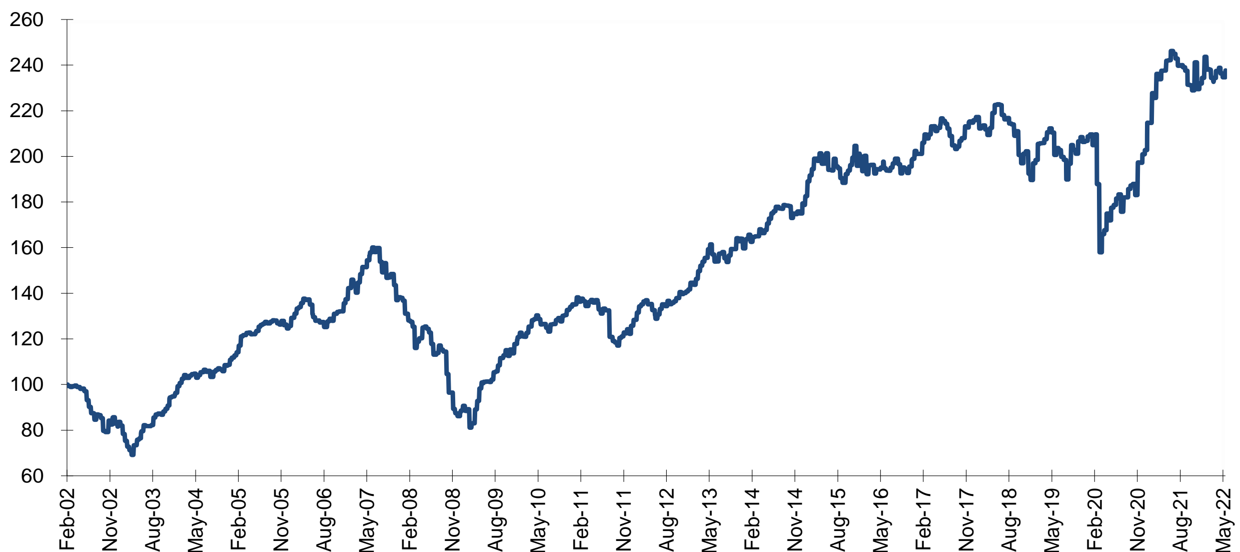
Dear shareholder,

In excitement but with patience, we are keenly observing the current market turmoil. This may sound awkward to the mainstream investor, but we hope it sounds logical to long-time followers of Citadel's deep-value investment philosophy. Remarkably, many investment funds buy more shares when share prices go up and valuations get richer, in anticipation of even higher prices. This basically is the anatomy of a bull market. At Citadel on the other hand, we are excited to watch markets go down as this creates new investment opportunities. Lower valuations help us to achieve the two most important goals in investing: it lowers the risk of an investment, and it increases the expected return. We believe that a healthy market correction was long overdue. It is the sequel to what we wrote in our November 2021 shareholder letter:

> *Increased inflation and almost full employment could be a trigger for less accommodative central bank policies. When the situation of almost free money would come to an end, valuations will start to matter again. While value investing has proven to be a good strategy during uncertain times, a deep value strategy works even better when valuation regains its importance as a guide for future returns.*

Amidst today's market turmoil, we are pleased to report a calendar year-to-date return per May 31st, 2022, of +1.4% for Citadel's class P shares and a +138% return since inception. While the Fund's portfolio is certainly not immune to macro-economic pressure (more of which is likely to hit markets), the deep value strategy has supported the Fund's main goal of capital preservation. Knowing the Fund's fair value, we still sleep well at night while many of the main equity markets are down by double digits. The MSCI World Index (net returns, in EUR) is down -7.6% as per May 31st, 2022.



IMPORTANT: This newsletter constitutes marketing communication. 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 and KIID before making any investment decisions. 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 Fund qualifies as a financial product under Article 6 of the SFDR.

Fund Performance - Class P - as of May 31, 2022	Since inception	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 YTD
Citadel Value Fund	137,7%	-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%	-12,1%	10,1%	-2,9%	15,6%	1,4%

Source: EFA. Fund inception date February 11th, 2002.

Return to healthier financial markets – a bumpy ride but a good thing for Citadel

On many previous occasions, we shared our view that financial markets had arrived in a “bubble” phase, artificially stimulated by highly accommodating central bank- and fiscal policies. The stock market had become quite expensive by any historical measure as there was no alternative for investors to put their money into. One of the consequences was that for a value investor like Citadel, it was hard to find new investment opportunities at the right price, or stated differently, opportunities that would offer a sufficient “margin of safety”. Of course, this excludes the short Covid-19 driven period of buying opportunities in March-April 2020, from which the Fund and its shareholders clearly profited.

Bubbles have the common characteristic that one cannot predict when they will burst; certainly not if one of the drivers is monetary policy. This time the market’s tipping point was the policy makers’ (overdue) acceptance that inflation had become too high to ignore, and their subsequent slow turn towards monetary tightening. Based on many financial parameters and discussions with corporate management teams, it is clear to us that lower GDP growth, probably even negative growth, will be the mechanism through which the overheated economy will find a new equilibrium.

So, what could this process look like? Well, valuation multiples of stocks that were clearly inflated, are coming down, a process now ongoing already for roughly 6 months. The highest multiple stocks in the market have been hit the hardest, which is illustrated by the NASDAQ Technology index being down -23% as per May 31st, while the Dow Jones Industrial index is down “only” 9%. We anticipate the next step to be downward revisions of companies’ earnings expectations. This is inevitable due to the simple economic principle of lower consumer confidence trickling down the economic value chain. The consumer can buy less products because inflation is eating into purchasing power. Next to this, the bursting of the financial markets bubble (particularly the highly valued technology stocks, crypto currencies and the like) will have a negative wealth effect and hence an additional impact on consumers’ willingness to spend money. Producers will then react by lowering orders and investments; further erosion of producer confidence is caused by higher interest rates. We could imagine that the slowdown will be quite fierce as the comparison base of many economic segments is very high – fuelled by almost interest-free money and covid related fiscal stimulus. The only possible safety valve would be government spending, but over-indebtedness and rapidly rising public financing costs doesn’t make this a realistic solution. This process of economic normalisation can be painful for consumers, for companies and for investors. But we believe it is a healthy development, and we are convinced that it can offer great opportunities for Citadel to sow the seeds for future Fund performance.

Currently we gauge that the stock market is not yet reflecting materially lower earnings expectations. We expect this adjustment process to continue in the coming period as evidence of slower demand is mounting. For Citadel, this will be an exciting time to be extremely attentive to new investment opportunities that could emerge if stock market prices will come down further. While short-term market fluctuations are unpredictable, well-prepared investors can profit from market volatility over the longer term.

The ride could get bumpy but the Fund’s low-risk approach to investing helps us to continue sleeping well at night. We know that the Fund’s carefully selected holdings can withstand economic hard times, some of them will even emerge stronger, and are expected to generate a solid return in the long run. Of course, the margin-of-safety embedded in Citadel’s current portfolio is the important element supporting this. As per May 31st, 2022, the portfolio was trading at a discount of over 40% to its estimated intrinsic value, which equalled € 398 per class P share compared to the NAV of € 237.69. This valuation difference not only provides a significant cushion against unexpected events but also serves as a sound basis for future performance.

Performance supported by exposure to the energy sector

So far this calendar year, most of Citadel’s holdings remained relatively steady or even made a positive contribution to the Fund’s performance. The companies in the energy sector, **TGS** (seismic data) and **NOV** (oil & gas field equipment), have been in the limelight for obvious reasons, and both were among the Fund’s strongest performers as they are emerging from a difficult period. As NOV’s CEO pointed out during a recent investor conference call, almost every input in the energy industry is constrained: capital, labour, raw materials and many years of pipeline

underdevelopment. On top of that, significant hurdles have been put in place by politicians and regulators and now geopolitical stress was added to this cocktail as well. With energy shortages looming, a U-turn is being made and the oil & gas industry is suddenly requested to scale up as fast as possible. For NOV and TGS it is a reversal of fortunes.

Most significant performance contributors & detractors
January 1st 2022 to May 31st 2022

Holding	Contribution	Absolute return	Holding	Contribution	Absolute return
TGS	2,6%	85,6%	American Eagle Outfitters	-3,3%	-46,3%
NOV	2,5%	56,9%	Continental	-0,8%	-21,8%
Bed Bath & Beyond	2,4%	128,6%	Toyota Industries Corp.	-0,7%	-13,4%
Boskalis	1,2%	28,3%	MPAC Group	-0,7%	-17,8%
Dewhurst PLC -A-	0,8%	11,6%	Samsung Electronics -Pref-	-0,6%	-12,5%

Note: Returns are in € and include dividends

Bed Bath & Beyond (BBBY, a US general merchandise retailer) is again on the Fund's list of strong performers. After reducing the position last year at an attractive share price, a brief market opportunity appeared in March 2022 to sell the Fund's remaining position at roughly twice the purchase price. All in all, BBBY has been a very profitable investment for Citadel, and an interesting show case of price volatility offering great value opportunities.

The most striking portfolio news was the public offer for **Boskalis Westminster** (maritime services) made by its long-time shareholder HAL Investments. The bid of EUR 32 (ex-dividend) is more than double the price at which the Fund purchased its holding two years ago. Still, we believe the shares are worth a good deal more. The bid does not seem to properly reflect the company's multi-year growth outlook based on a record order book in dredging and bright prospects in offshore energy. Interestingly, Boskalis management shares this view and does not recommend the current offer price. However, with HAL already possessing slightly over 50% of the shares outstanding, Boskalis' fate as a publicly listed company will depend on the minority shareholders' (un)willingness to tender their shares.

American Eagle Outfitters (AEO, a US apparel retailer) was the only significant detractor of the Fund's calendar year-to-date performance. Several factors simultaneously impacting the business are expected to pressure apparel sales this year: a combination of demand shifting from products to services, from leisure clothing to dressier clothing, but also inflation related pressure. At the same time, production and logistics lead times have become much longer, which adds another layer of complexity as this requires demand trends to be forecasted farther in advance. While management has been quick to adjust its plans, margin pressure is inevitable relative to the company's record results last year. The company has remained profitable, though, and has a strong balance sheet to weather these temporary challenges. At the current valuation, we believe AEO shares are outright cheap, which is the reason why we took advantage of the low stock price by adding to the existing position.

Limited changes to the portfolio – awaiting market opportunities to unfold

In the first five months of 2022, Citadel has made just a few changes to its portfolio and did not add a new name. A lot of work is being done on the growing list of potential investment opportunities – but as we have always done for the past 20 years, we wait with patience for Mr. Market to present us the right price, the right margin-of-safety.

Already highlighted in our previous shareholder letter, we are quite excited about last Fall's new addition to the portfolio, namely **Vitesco Technologies**, formerly known as the Powertrain division of parent company Continental. Vitesco is one of the two main players for automotive electrification technology in Europe. Nine out of the ten largest battery electric vehicle manufacturers are supplied with Vitesco's power electronics, control technology, electric drive axles or thermal management systems. Amid the rapidly changing automotive landscape, Vitesco is executing a turn-around to enhance cost efficiency and to expand the product range. Its order book of over €50bn covers the sales projections for the coming 6 to 8 years and should support a strong margin improvement. Citadel was able to purchase a position at what we believe to be a fraction of Vitesco's intrinsic value. During the recent volatile months, we added more to the initial position at even lower prices, and Vitesco has now become a top-5 holding.

Next to adding Vitesco and AEO, we exited the remaining position in BBBY as mentioned above.

Changes in the Portfolio January 1st 2022 to May 31st 2022	
Holdings bought or added to	**Holdings reduced or sold**
American Eagle Outfitters	Bed Bath & Beyond
Vitesco	Signify

In February, after **Signify** (lighting products & services) announced strong FY2021 results, we reduced the weighting of the Fund's position. Signify has been a very profitable investment for Citadel. In fact, it combines three very strong reasons for owning a stock: 1) the opportunity to purchase it at a low valuation; 2) a highly cash flow generative business with a defendable and dominant market position; 3) strong management that is continuously adapting the business in a changing environment. We still believe that there is material upside potential for the stock, however, it made sense to trim the position after strong share price performance had spurred a significant overweighting of Signify in the Fund's portfolio.

Portfolio summary – solid with room for new opportunities

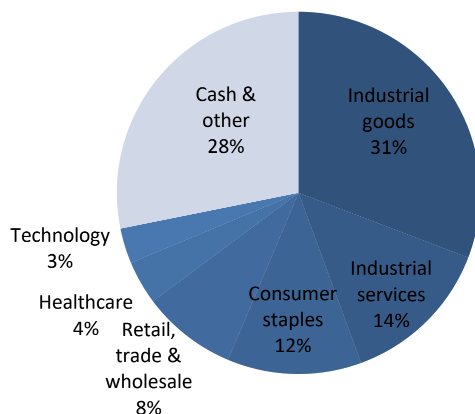
As per May 31st, 2022, the portfolio consists of holdings in 21 companies. The portfolio top-5 consists of three European companies, one US and one Asian business. Companies listed in Europe represent 43% of the Fund's NAV. The Fund's exposure to Asia (Japan and South Korea) is around 15%. The exposure of Citadel to the US equity market is 14%. The Fund's net cash balance per May 31st, 2022, amounted to 28% of NAV, a little higher than on November 30th. This percentage provides ample room to take advantage of new investment opportunities amid a volatile market.

Portfolio Holdings
as of 31 May 2022

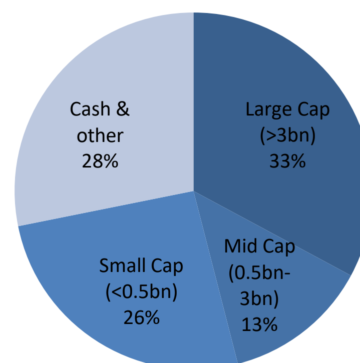
Company	Activity	% of NAV
Dewhurst -A-	industrial goods (elevator fixtures & controls)	6,1%
National Oilwell Varco	industrial goods (oil field equipment & services)	5,4%
Pronexus	business services (financial documentation & IR services)	5,2%
Vitesco	industrial goods (automotive components)	5,0%
TGS	industrial services (seismic data)	4,2%
Boskalis	industrial services (maritime services)	4,2%
Village Super Market -A-	retail (supermarkets)	4,1%
Signify	industrial goods (lighting)	4,1%
SOL Group	healthcare & industrial (homecare, medical & technical gases)	3,9%
Toyota Industries	industrial goods (Toyota, forklifts, engines, cars & parts)	3,6%
Swatch Group	retail (luxury watches & jewelry)	3,4%
Berentzen Gruppe	consumer goods (spirits & beverages)	3,2%
Samsung Electronics -Pref-	technology (semiconductors & consumer electronics)	3,1%
American Eagle Outfitters	retail (apparel)	2,9%
MPAC Group	industrial goods (packaging machinery)	2,5%
Booking Holdings	retail (online travel & leisure)	2,1%
Nichirin	industrial goods (automotive components)	2,1%
Continental	industrial goods (tires & automotive components)	2,0%
Ahold Delhaize	retail (supermarkets)	2,0%
Zwack Unicum	consumer goods (spirits)	1,9%
Nongshim Holdings	holding co. (Nongshim, packaging, food ingredients)	0,7%
Cash and other assets & liabilities		28,2%
		100,0%

We are confident Citadel's portfolio is in good shape to thrive in various future scenarios. It consists of great businesses, purchased at significant margins of safety relative to their respective intrinsic values. At a look-through valuation of just above 4x operating earnings and at an 8% free cash flow yield, Citadel's portfolio is attractively valued. This is not only true on an absolute basis but definitively also on a relative basis, with the MSCI World index still trading at a quite expensive level of 12x operating earnings (although it came down from 15x just 6 months ago).

Portfolio by Sector



Portfolio by market capitalisation



Citadel's portfolio has historically had a bias towards small caps, as this is a place where value opportunities often can be found. The small cap segment currently represents 26% of the Fund's portfolio, which is down modestly compared to 29% as of November 30th, 2021, the Fund's fiscal half year end. Per May 31st, large caps represent the largest part of the portfolio by market capitalisation (33%). Industrial goods, consumer staples and industrial services are the three largest industry sectors represented in the portfolio. To illustrate the attractiveness of a small cap consumer stock, we would like to share some thoughts about **Zwack Unicum** in the next section.

Zwack Unicum – small position of high spirits

Zwack Unicum, a long-time holding of Citadel, is the producer of several leading spirits brands in Hungary. Namesake brand *Unicum* has already been brewed by the Zwack family since 1790, originally as a digestive for the royal family of the Austria-Hungary empire. Next to Unicum, 50% family owned Zwack produces a dozen other premium spirits. In addition, it has the exclusive distribution rights to Diageo's family of branded spirits for Hungary. In return, Diageo holds a strategic 26% stake in Zwack. Citadel is one of the few institutional holders sharing the remaining free float.

Enabled by its solid brand positions, Zwack is a remarkably stable, well-run company. Last year's results were fueled by a post-covid recovery, reaching record sales and a free cash flow amounting to roughly 20% of those record sales. For investors, the beauty of it is that the company usually pays out its entire free cash flow as dividend. As the share currently trades at an 8% FCF yield, this also equals the cash dividend yield (with Hungary having no dividend withholding tax). The strong cash flows and pay-out policy enabled Citadel to already recoup 160% of its original investment solely through dividends, quite an astounding fact. In addition to that, the current share price is 90% higher relative to the Fund's original purchase price. With these characteristics, Zwack Unicum's solid business with steady high returns serves as a great example for the Fund's investment selection.

In conclusion

This year's February 11th marked Citadel's 20th anniversary. From the outset, the Fund has consistently applied its distinctive value investment strategy, setting itself apart from many other funds. After 20 years of true dedication to value investing, building a consistent track record and surviving moments of severe financial market stress, the Fund continues to focus on capital preservation and risk reduction while generating good long-term returns. In these tempestuous times, even as macro-economic challenges are overshadowed by the horrifying events of war in Europe, we wish to express our gratitude for your continued loyalty. We wish you and your family a great summertime.

Kind regards,

The Board of Directors June 23rd, 2022

Citadel Value Fund SICAV