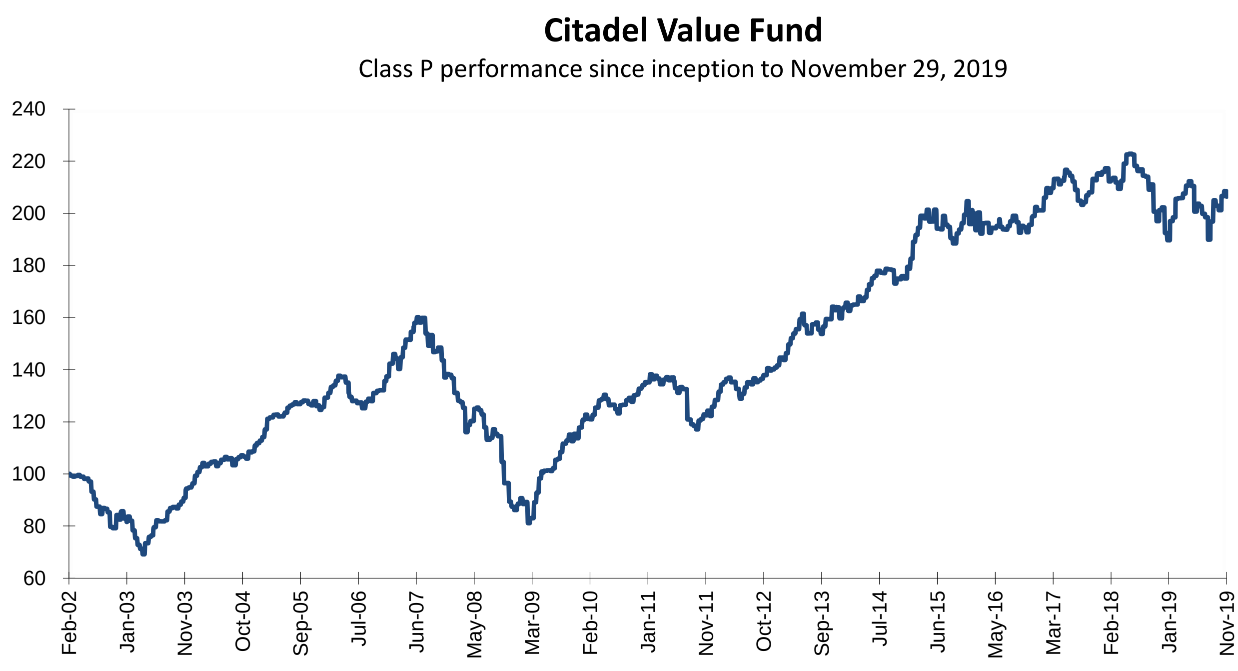
Dear Shareholder,

Most equity markets have been very bullish so far this year, with some US indices reaching record highs. As per November 30th, the Fund's fiscal half-year end, Citadel recorded an 8.8% year-to-date net return. On an absolute level this appears to be a satisfactory result, since it is above the long-term average of equity market returns. The underlying portfolio performance (excluding the Fund's cash balance and Fund costs) was over 12%. About half of the portfolio companies showed returns in excess of 20%. These returns were made without exposure to expensive high-growth stocks and without the help of high levels of debt. In line with Citadel's investment principles, returns were achieved by selecting companies with predictable income streams and solid balance sheets. Although we are not satisfied with Citadel's performance relative to the index performance, we strongly believe that the deep value approach continues to be the best way to preserve your capital in the long run. Since inception, Citadel has more than doubled and the Class P return stands at +106.3%.



Fund Performance - Class P - as of Nov 29, 2019	Since inception	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 YTD
Citadel Value Fund	106,3%	-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%	8,8%

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

Bullish stock markets were perhaps best reflected in the performance of the MSCI World Index, a market cap weighted index which by construction is heavily geared towards US growth stocks. Its year-to-date performance has been a staggering 28.5% in Euros, supported by a 4% appreciation of the US$. The main underlying driver was the US equity market (the S&P 500 index was up 25.3%). On the other side of the geographical spectrum, Asian equity markets underperformed significantly (for example, the South Korean index was only up by 2%).

Equity market performance: Value investing is underperforming, but will that last forever?

Before we discuss the Fund's portfolio developments, it might be helpful to spend a few more words on the performance of equity markets. The MSCI World Index is a widely used index consisting of a broad set of developed world stocks. Citadel has been using it since its inception as a reference index for its global set of investment opportunities. In the four charts below index returns from 2002 (the inception of Citadel) until now are shown.

Chart 1: As we explained before, the MSCI World index is largely driven by US equity market performance. Based on market value, more than 60% of the MSCI World index constituents are US companies.

The graph clearly shows that after the financial crisis of 2008-2009, US equity markets have not only recovered but in fact shot up to new highs. Other geographies, most notably Europe, have failed to recover and fell significantly behind. This has also made US stocks very expensive, often lacking the margin-of-safety Citadel typically requires.

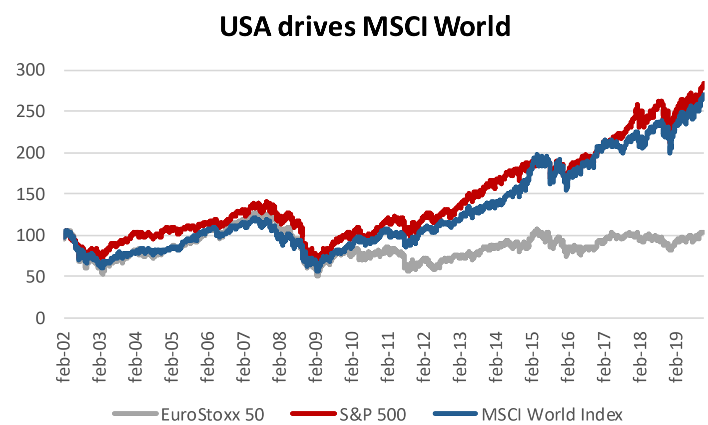


Chart 2: On its turn, the US market has been propelled by a relatively small number of technology stocks that have become mega-caps. As we can see from the graph, this effect was most pronounced in the past five years. Year-to-date, US technology stocks again showed a stunning return: the NASDAQ Composite index return was an almost incredible 30.6%.

This return has been achieved despite growing regulatory and geopolitical risks for the likes of Amazon, Facebook, Google and Microsoft. The bull market has resulted in inflated valuation multiples: the NASDAQ index currently trades at a multiple of 19x operational earnings (EV/EBITDA). This is a level we haven't seen since the burst of the Internet bubble in 2001.

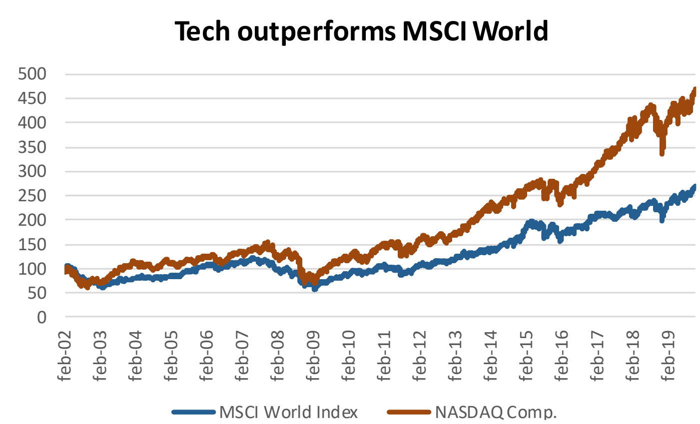
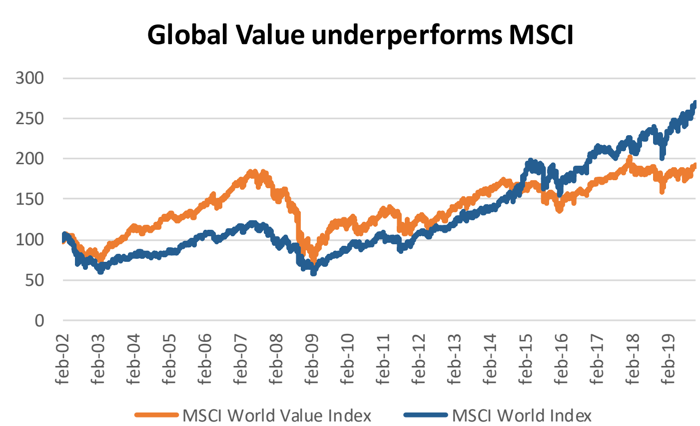


Chart 3: The MSCI World <u>Value</u> index is a subset of the MSCI World index. To separate the value investment style, MSCI uses three variables: a low price-to-book, a low price-earnings ratio and a high dividend yield.

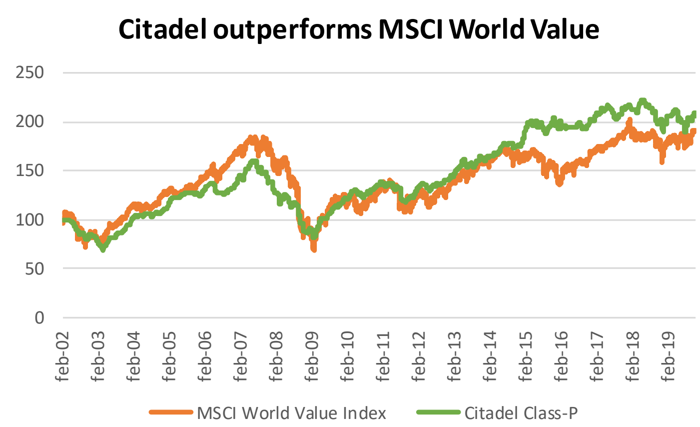
The Value investment style delivered significant outperformance in the period 2002-2009. However, from 2015 onwards, Value investing has underperformed the overall index,



particularly during the last two years.

Chart 4: The MSCI World Value index can be used as a reference for the Value investment style in general. Of course, in constructing a true value portfolio there are many more selection criteria at stake than only a few quantitative metrics.

The chart depicts that until 2015 the Citadel Value Fund has slightly outperformed the returns of the World Value index despite holding an average cash balance of more than 10%. From 2015 onwards, Citadel has started outperforming the MSCI World Value index with a wider margin.



In fact, Citadel has outperformed the broader MSCI World index during the first 16 years of the Fund's record. Starting in 2018, however, the performance difference between value investing and large cap growth stocks has reversed in favour of expensive growth stocks. This effect has coincided with the global trend towards passive index investing, which is price-insensitive investing without much consideration of underlying company fundamentals. Index investing has increased valuations of large index stocks in general and resulted in staggering valuations of technology mega-caps in particular. As active investors since the beginning of the 90's of last century, we can't help but seeing parallels to the so-called 'Internet bubble' years of 1997- 2000. Growing demand for passive investing and the artificially low interest rates have stimulated investments in high-multiple growth stocks. In quite a few cases valuation levels now appear completely separated from company fundamentals. To us the relevant question is whether these very rich valuations are an accident waiting to happen.

Pricing to perfection: the miraculous disappearance of risks

When many stocks are priced to perfection, the fundamental risks of investing in stocks are not sufficiently priced in. To some this may sound like a theoretical issue, to others perhaps as a frequently heard mantra, so an example might clarify this point. In the insurance industry the correct pricing of risks is tantamount to survival. When an insurance company structurally underestimates risks and sells its insurance contracts at too low prices, its reserves won't be enough to pay out all claims over the long run. Particularly in case of catastrophe insurance (i.e. insurance against very large yet infrequent risks), an insurance company may enjoy a long string of wonderful years with very high profits, completely ignorant of the fact that it is mispricing the risks it is accepting. But the very risks that the company mispriced will eventually materialise. When this happens, probably to the shock of many, the insurance company will incur heavy losses and it might even be insufficiently solvent to pay out all claims.

Returning to the stock market: when stocks are bought without taking into account the fundamental risks associated with holding a stake in a business, an accident is waiting to happen. Stocks might be purchased simply because their prices went up and buyers expect prices to continue to go up. Or because the increased index weighting triggers additional demand. Alternatively, justification is sought in unrealistic expectations, like high earnings growth for many years to come, eternal low interest rates, disregarding business or economic cycles, and so on.

The basic flaw behind this reasoning is that, while perfect scenarios could materialize, it is highly unlikely they do. A multitude of events may occur and have a significant negative impact on a company's earnings power. Among them are mundane things like cost inflation or economic recessions, but also specific risks like trade-wars inflicting severe damage upon individual companies or the squandering of capital on expensive acquisitions stimulated by cheap financing. Moreover, there are unknown and hard to quantify risks like natural disasters. The key point is that when many companies trade at elevated multiples for a long time, most risks are not adequately accounted for in stock prices. And this situation has always, and in our view, will eventually self-correct. In other words, risks will become apparent again and stock prices are going to reflect that.

We at Citadel believe that the very sound principles formulated by Benjamin Graham more than 70 years ago are still as valid as ever. Perhaps the most valuable is the requirement of a margin-of-safety when purchasing a stock. Risks have not disappeared, although stock markets might make you think otherwise.

Citadel has for almost 18 years invested in a sensible and risk-reducing way and will continue to do so. In practice, this means investing only in shares that offer a sufficient margin-of-safety to properly account for the many risks. We are convinced that long term capital preservation is best served by ignoring the priced-to-perfection cases.

Many strong performers in the portfolio…

As mentioned in the introduction, the majority of the Fund's holdings performed satisfactorily over the year. Our two UK holdings **MPAC Group** and **Dewhurst Plc** did very well and each of our four Japanese holdings significantly outperformed the Japanese Nikkei index. **Dewhurst** was the largest contributor to the Fund's performance with its share price up 48%. Dewhurst is a UK-based, but globally active producer of components for the lift industry. Although a relatively small player in the global lift sector, the company has enjoyed solid returns on capital, a direct result of management's sound capital allocation policy. In 2018 it acquired a lift component distributor for 4x EBIT and in 2019 it divested its lift controlling software business for 10x EBIT. Management teams being selective in what to buy and what to sell, and being critical about valuations, is music to the ears of a value investor.

Most significant performance contributors & detractors
January 1st 2019 to November 30th 2019

Holding	Contribution	Absolute return	Holding	Contribution	Absolute return
Dewhurst PLC -A-	2,9%	48,2%	CNIM	-3,6%	-56,9%
Toyota Industries Corp.	2,4%	34,1%	GS Home Shopping	-1,3%	-15,8%
Pronexus Inc.	2,3%	24,2%	National Oilwell Varco	-0,5%	-8,2%
Signify	1,8%	37,4%	Hanil Holdings	-0,4%	-12,1%
Proto Corp.	1,7%	58,5%	Daekyo -preferred-	-0,4%	-8,0%
MPAC Group	1,5%	55,3%	Nongshim Co.	-0,3%	-8,9%

Note: Returns include net dividends

Also **Signify** (formerly Philips Lighting) is worthwhile mentioning. The stock performed well this year after we were able to add to the position at depressed share prices last year. Signify hasn't been a stock market darling – perhaps because it is not a growth stock. Surely, its conventional lamps business is on a rapid decline rather than growing. What we find attractive, though, is that this decline is managed very well by maximising cash flow, and is more than compensated by growing profits and cash flow from its future-proof businesses (LED lamps & electronics, smart home lighting and professional lighting systems). Management does an outstanding job in raising profitability in those business segments despite tough market conditions and has made some wise capital allocation decisions. We believe that Signify's strong cash generating business is worth much more than the current share price. During 2019, we weren't the only ones to notice.

… and only one significant detractor

Where our Japanese stock picks performed strongly, the Fund's Korean holdings generally showed poor returns so far this year, mirroring the dull overall performance of the Korean equity market. **GS Home Shopping**, a top-5 portfolio holding, was down 15.8%, which resulted in the remarkable situation of cash & investments on the balance sheet exceeding its entire market capitalisation. For a market leading e-commerce business with an 11% operating margin and negative capital employed, this valuation does not make sense and we see strong upside potential.

The largest detractor was **CNIM**. Paris-listed CNIM is an industrial engineering company and a leading provider of waste-to-energy technology. It also runs several high-tech engineering businesses related to energy, industrial and defence systems. As a contractor for waste incinerators, it provides incineration technology and flue gas treatment, amongst others. In this line of business, CNIM has been the leading vendor in the UK and France with a 50-year track record and a record order book of projects.

The share price of CNIM fell sharply after a few disappointing announcements. The market digested weak 2018H2 results caused by cost overruns on one project and management promised actions to improve risk management.

Following this, the Fund added to its position. Later in 2019 however, CNIM announced cost overruns at several other projects for a variety of reasons, causing a significant loss over the first 6 months of 2019. Losses and working capital investments turned the net cash position – which was significant at the time we invested – into a large net debt position, a risk uncommon for Citadel to be exposed to.

It appears that a company, which is majority owned and managed by an entrepreneurial family, has vast expertise and a strong track record of 20 years of uninterrupted profitability and is active in a secular growth market with the benefit of a very strong balance sheet… can still face a haemorrhaging period. With the benefit of hindsight, the specific project risks associated with the company's line of business were underestimated by the company and also by us. In analogy to the insurance company's example, a heavy loss can still occur after many good years when project risks are not sufficiently limited and priced in.

Portfolio movements during 2019

Given generally elevated market valuations, we have been quite picky before adding new names to the portfolio. During 2019, we have added two new names, **Nichirin Co.** and **Bed Bath & Beyond Inc**.

We purchased a stake in **Nichirin** during the second quarter of 2019 and already discussed this company briefly in our previous letter. Nichirin is a Japanese manufacturer mainly of rubber hoses for the automotive and motorcycle industry. It sells brake hoses, fuel hoses and other products predominantly in Japan, China and the Asian emerging markets and enjoys a near-monopoly position in brake hoses for the two-wheel market in Asia. We bought the shares at around 2x EV/EBIT and less than 2/3 of Capital Employed. Meanwhile, the shares performed strongly, outperforming the broader Japanese market. Nichirin initiated a small share buy-back program for the first time in its corporate history – still unconventional in Japan, but a great management decision given the share's low valuation and very cash rich balance sheet.

Bed Bath & Beyond was the second addition this year. Bed Bath & Beyond has been a household name in the US domestic merchandise and furniture retail sector. The company enjoyed high profitability and a solid return on capital in the 2000-2015 period. During the last few years, poor management in combination with ineffective adaptation to new trends and competition led to faltering sales growth and profitability. Early 2019, a group of activist shareholders pointed to the vast opportunity if the company were to be managed more professionally. This led to a change of management and a refresh of the Board of Directors that jumpstarted strategic and operational change. We were able to buy the shares at a quite depressed valuation level of c. 3x EV/EBITDA. As an additional margin of safety, the aggregate value of assets and non-core divestment potential was roughly equal to the Enterprise Value at the time of our investment. Although the financial proof of a successful operational turnaround has yet to become visible, the shares have already performed strongly after we made the investment.

Changes in the Portfolio
January 1st 2019 to November 30th 2019

Holdings bought or added to	Holdings reduced, sold or acquired in a buy-out
Bed Bath & Beyond	Ahold Delhaize
CNIM	Bijou Brigitte
National Oilwell Varco	Pronexus
Nichirin	Signify
	Signaux Girod
	Village Super Market

We increased the position in **National Oilwell Varco** this year around the time its share price hit a ten-year low. NOV's results are hampered by a sluggish North American shale oil environment, a segment in which the company holds a considerable market position. On the positive side, offshore oil markets have started to recover and NOV's revenue growth in this part of the business improved to double-digit rates. Management quality is widely recognised for managing operating cost and cash flow. We foresee significant upside potential for the shares.

We sold the Fund's position in **Bijou Brigitte**, a German fashion jewellery retailer, after a decent share price performance early-2019. Further, we reduced the weighting of several positions at attractive share price levels. These include **Ahold Delhaize** and **Pronexus**. Both were positions that we had increased at lower price levels, taking advantage of market volatility. Furthermore, we reduced weightings in **Signify, Village Super Market** and **Signaux Girod** for portfolio management reasons.

Portfolio Holdings
as of 30 November 2019

Company	Activity	% of NAV
Pronexus	business services (printed & electronic financial documentatior	9,1%
Toyota Industries Corp	industrial goods (Toyota, forklifts, engines, cars & parts)	8,0%
Dewhurst -A-	industrial goods (elevator fixtures & controls)	7,5%
GS Home Shopping	speciality retail (TV home shopping & e-commerce)	5,7%
Signify	industrial goods (lighting, lighting electronics, lighting systems)	5,2%
Village Super Market -A-	retail (supermarkets)	4,9%
National Oilwell Varco	industrial goods (oil field equipment & services)	4,5%
Berentzen Gruppe	consumer goods (spirits & beverages)	4,3%
Ahold Delhaize	retail (supermarkets)	4,0%
TGS Nopec	industrial services (seismic data)	3,9%
Nichirin	industrial goods (automotive components)	3,8%
Proto Corp.	media (internet, magazines & data products)	3,8%
Nongshim Holdings	holding co. (Nongshim, packaging, ingredients)	3,7%
MPAC Group	industrial goods (packaging machinery)	3,6%
Daekyo -preferred-	consumer services (education)	3,5%
Bed Bath & Beyond	retail (furniture retail and domestic merchandise)	2,9%
Zwack Unicum	consumer goods (spirits)	2,9%
Nongshim Co.	consumer goods (food & beverages)	2,5%
Hanil Holdings	holding co. (Hanil Cement, Hyundai Cement)	2,4%
CNIM	high-tech engineering & equipment (waste-to-energy plants)	2,3%
Signaux Girod	industrial goods (traffic signs)	0,5%
Cash and other assets & liabilities		11,0%
		100,0%

As per November 30th, 2019 the portfolio consists of holdings in 21 companies. The portfolio top-5 consists of two Japanese companies, two European businesses and one Korean company. Companies listed in Europe represent roughly one third of the Fund's NAV. The Fund's exposure to Asia is around 40%, with Japan as most important market. The exposure of Citadel to the US equity market has increased to 12%. This is still low relative to the size of the US equity market but caused by the fact that the Fund's geographical mix is purely a result of the bottom-up search for attractive valuations. Ranked by sector exposure, the largest concentrations are in industrial goods, consumer staples and industrial services. These sectors usually offer healthy, predictable businesses with defendable market positions and solid financials. The Fund's cash balance (net of other assets & liabilities) per November 30th, 2019 amounted to 11% of NAV.

TGS Nopec: navigating the cycle

As is usual, we would like to include a representative investment case in this shareholder's letter. **TGS Nopec** is one of the most interesting but perhaps not so well-known portfolio companies. TGS is a provider of seismic data required to perform efficient oil exploration. 2019 hasn't been a strong year for the average oil services provider. Performance of most companies in the peer group was sluggish due to difficult markets in combination with high net debt loads. TGS was a rare exception, as it posted strong revenue growth in 2019, even stronger profit growth, finalised an excellent acquisition and still retained a cash-rich balance sheet. Investors were rewarded with an almost 30% year-to-date share price increase.

What makes TGS different? Well, for one, the company has always made sure to hold excess cash on its balance sheet. This is not only a safety cushion, but it also enabled management to invest countercyclically at depressed prices during the offshore market downturn. The prices of seismic data are linked to seismic vessel day rates – it's the opportunity cost of producing data. Now that offshore markets are recovering and the seismic vessel market has become healthier again, vessel rates are on the rise. This enables TGS to also raise prices for selling seismic data produced during the downturn when it was paying lower day rates. It is this cyclical pricing mechanism that provides huge value upside for the seismic database TGS carries on its balance sheet. 2019 is turning out to be a strong year for TGS and we foresee even stronger results next year.

In conclusion

By spending more words than usual on indexing and performance, this shareholder letter ended up a little longer than you are used to. But we hope to have provided you with a better perspective on Citadel's performance amidst runaway equity markets in 2019. Rest assured that on a normal working day, we spend more time analysing companies than writing about the market. Ending with the great Benjamin Graham: investing is most intelligent when it is most-business like. We would like to express our gratitude for your investment and continued trust in the Fund. We wish you and your family a wonderful holiday season, a Merry Christmas and a Happy New Year!

Kind regards,

The Board of Directors December 19, 2019
Citadel Value Fund SICAV