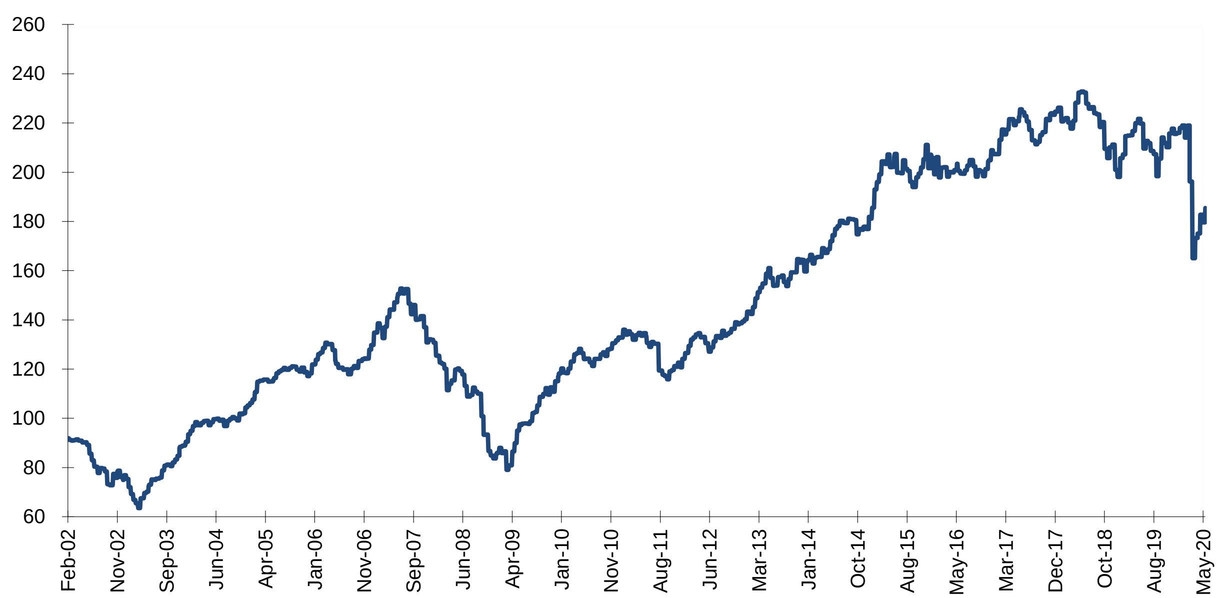
Dear Shareholder,

First and foremost, we hope you and your loved ones have remained healthy during the unprecedented circumstances of the Covid-19 pandemic. Testing times like these can help clear our minds of our day-to-day concerns and refocus on fundamental human needs such as health, personal safety, and family & friends. To feel comfortable about the future, we are fully aware that financial security is crucial as well. Following a period of extreme volatility in financial markets, we can imagine that some may feel that financial security has been compromised. In this letter, we therefore try to give a somewhat broader perspective on how events in financial markets have unfolded recently. By relentlessly focusing on capital preservation and long-term returns, Citadel is continuing its mission to provide financial security, also on stormy days. The Fund's portfolio is safe by design with healthy balance sheets, strong cash flows and a large valuation upside. Furthermore, the results of rigorous liquidity stress tests and recession scenarios did not point to any significant permanent capital loss. In only a few instances where risks had increased beyond what we think is acceptable, we acted by reducing the weighting of a holding. But we also took advantage of bargain opportunities the depressed market offered us. This resulted in more portfolio activity than common at Citadel, to the benefit of expected future returns. Equity markets were down by more than 30% from January to March before recovering. Citadel posted a negative return as well with a year-to-date performance of -15.0% per May 31st versus a negative -7.4% return for the MSCI World index but outperforming the -18.5% return of the MSCI World Value index. Since inception, Citadel's Class X shares have appreciated by 102%.

Citadel Value Fund

Class X performance since inception to May 29, 2020



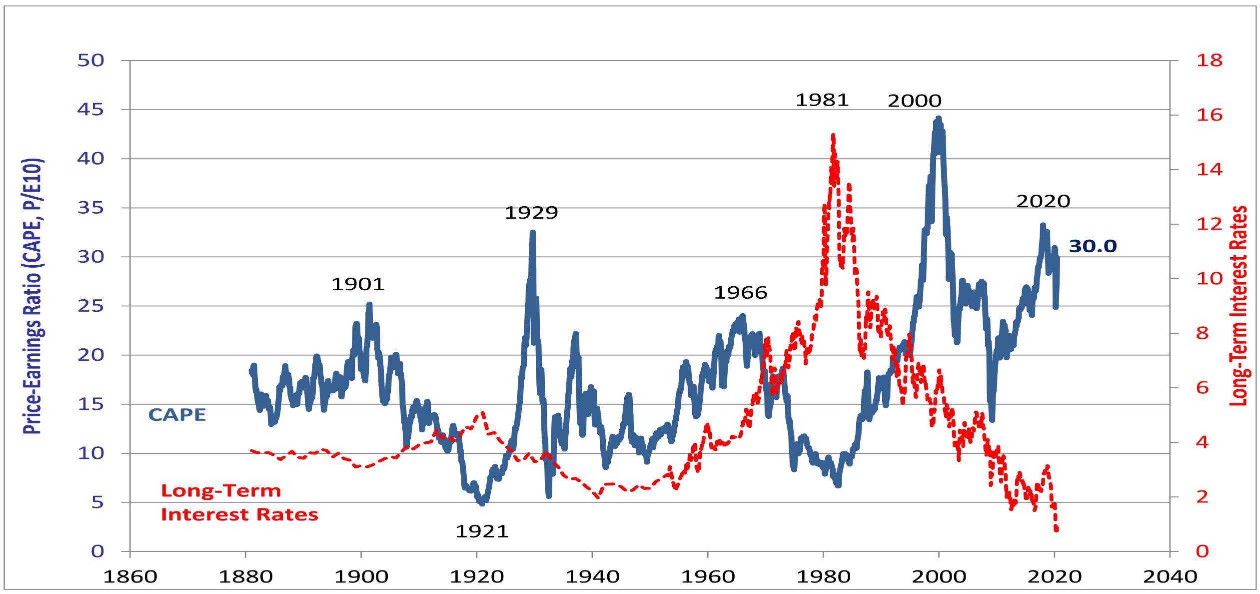
IMPORTANT: An investment in the Fund carries with it a degree of risk. The value of your investment may go down as well as up, and you could lose money on your investment. Past performance provides no guarantee for the future. Investors should read the Fund's prospectus before deciding whether to invest. 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.

Fund Performance - Class X - as of May 29, 2020	Since inception	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD
Citadel Value Fund	101,8%	-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%	-11,8%	10,1%	-15,0%

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

The broader picture: high degree of uncertainty yet lofty market valuations

Let us assume for a moment that the Corona pandemic did not happen. Would today be an interesting moment to invest in equity markets? A tested tool for gauging the attractiveness of today's markets is to look at the Shiller Price Earnings ratio. Robert Shiller, Professor of Economics and a Nobel laureate, showed that a normalised Price Earnings ratio (based on the average corporate earnings over the last 10 years) is a strong determinant for future equity returns. This result was not only tested statistically significant over long periods of time, but also corresponds to basic logic: the higher today's valuations in relation to normalized profits, the lower the returns are that one can expect. A Shiller PE ratio above 22x is historically considered as signalling overvaluation. At the market's mid-March low point, the Shiller PE ratio was around 22x for the S&P 500, the main US equity index. By May 31st, the Shiller PE ratio had recovered to a level of 30x! (please see the blue line in the chart below). We have used the US index because it is still the best documented market, but analysis of other markets leads to outcomes that are not materially different.



Source: Robert J. Shiller CAPE ratio (Cyclically Adjusted Price Earnings ratio)

In our view the evidence of significantly overvalued equity markets, based on average corporate earnings of the past ten years (quite prosperous years for that matter!), is strong in itself. *However, it gets worse when we add to that a pandemic and its expected impact on future corporate profits!* On an aggregate level, this is exactly the reason why we continue to be cautious about current equity valuations. Having said that, clear valuation differences exist when looking at individual companies. Consequently, continuing to be very selective and valuation-focussed in stock picking remains paramount to capital preservation. And this implies analysing sustainable business models, steering clear of high financial leverage, thoroughly assessing valuations and being ready to strike when bargain opportunities are offered during times of market volatility.

As you are used from us, we do not spend much time on macro-considerations in our investment process, because macro predictions are notoriously hard to make and the impact on individual company valuations is unclear. However, in the analysis of stock market valuations, one macro variable stands out already for quite a long period of time. The red dotted line in the chart above shows the US long-term interest rate. The Federal Reserve (and the ECB and BoJ for that matter) is injecting unprecedented amounts of liquidity into the financial system (a staggering US$ 2.5 trillion in the last three months only) and thereby distorting the process of price-discovery in both government and corporate bond markets. This has led to historically low interest rates that insufficiently compensate for the many risks inherent in fixed income investments. In the EU, many 10-year government bonds are currently trading at negative yields, implying that the investor effectively pays interest to a borrower of money.

This unprecedented monetary expansion has fuelled price distortion beyond bond markets. Investors realize that fixed income investments are destroying wealth and often decide there are few alternatives beside stocks. This investing behaviour has been labelled by the acronym TINA: There Is No Alternative. The important message is that it implies price-insensitive investing in stocks regardless of individual company valuations. This has led to inflation of stock prices and other financial assets (monetary economists point to this well-documented phenomenon as *asset inflation*). As a result, we remain vigilant about the observed disconnect between high stock market prices and the subdued economic and corporate profit outlook, without pretending to have any knowledge of when and how the monetary situation might reverse to more normal proportions and the resulting impact on financial markets.

How to invest in uncertain times like these?

The Covid-19 pandemic and the related government measures have created a high degree of uncertainty across the globe. Always keeping in mind Citadel's no. 1 goal of capital preservation, we performed thorough stress tests on all portfolio companies regarding liquidity headroom and overall balance sheet health. We also analysed the impact of a severe recession scenario on valuation levels. We are glad to report that there was no need to exit any portfolio company based on the liquidity stress tests applied. However, we did exit one holding (Bed Bath & Beyond) because of operational risks due to Covid-19 and trimmed the weighting of some other holdings due to their expected cyclicality. Of course, we applied the same rigorous analyses when evaluating new investment opportunities.

As part of our analyses, we have had many conversations with corporate CEOs, CFOs and other contacts across many sectors and geographies. A common denominator is the high degree of uncertainty particularly regarding how and when demand for products & services would recover. This uncertainty seems rational because no one can forecast the path of the pandemic nor the structurally changed behaviour of customers (e.g. different traveling behaviour, increased working from home). As a result, companies cut costs, reduce their production capacity, save cash and prepare for the worst. This will inevitably have knock-on effects on economic growth. We also hear, particularly in secular growth markets such as the technology and semiconductor sectors, that high valuation levels are acting as an impediment to executing interesting M&A opportunities. In other words, corporate insiders do also flag the relatively high valuation levels that persist in many sectors.

Although the pandemic creates unprecedented times for all of us, it has not changed Citadel's fundamental investment approach. We still focus on making an informed judgement about the intrinsic value of a business based on normalised earnings, albeit being more conservative than before in our assessment given the recessionary environment. Particularly in times of market stress, share prices can sometimes be off by a wide margin relative to intrinsic values. It is exactly this high volatility combined with a rational view to investing from which Citadel expects to profit over the next years. Keeping our focus on the underlying business economics combined with relentless valuation discipline helps to take advantage of market turmoil as share prices occasionally do offer exceptional investment opportunities.

Current portfolio is highly attractive

Citadel is investing only in shares that offer a sufficient margin-of-safety to properly account for the many risks and uncertainties. This safety is embedded in our conservative way of forecasting earnings and in demanding a low price relative to the estimated intrinsic value of each potential investment. Taking the weighted aggregate of the portfolio companies' intrinsic values, Citadel's current portfolio including cash has a 'fair value' of € 343 per share, which is 93% above the May 31st NAV per share. Due to absence of material value impairments and the addition of new investments, the portfolio upside has increased compared to the start of the year.

How attractive is the current portfolio valuation compared to market averages? Contrary to what the Shiller PE ratio predicts for general US equity market returns, we believe Citadel's return outlook is sound and attractive. Citadel's weighted average EV/EBITDA multiple[1] is currently 3.1x, which is historically low. In contrast, the weighted average EV/EBITDA multiple of the MSCI World index currently stands at 12.5x.

As we seek attractively valued companies with a history of good returns on capital and high free cash flow generation, the portfolio is valued at a remarkably high Free Cash Flow Yield[2] of 12%. In comparison, the FCF Yield of the MSCI World index is currently a meagre 4%. The NASDAQ technology index is even more expensive at 3% and the same is true for many individual large cap companies such as L'Oréal (3%), Alphabet (3%) or Amazon (2%), to just mention a few. Investors who accept comparatively low yields might anticipate high future cash flow growth, but we remain cautious about paying for growth, certainly now in view of a pandemic-triggered recession. Fortunately, the recent market turmoil enabled us to buy some new investments at double-digit FCF Yields, which we will discuss later.

Contrary to what happened during many previous bear markets, the Value investing style has underperformed the Growth style so far this time. The negative year-to-date performance of the MSCI World Value index of -18.5% is in stark contrast to the MSCI World Growth index that showed a positive 2.6% performance. Despite their high valuations, large cap technology stocks have apparently been a good place to hide, as the Nasdaq technology index is up an incredible 7.1% year-to-date. Like in previous periods of market turmoil, however, we expect that the defensive character of value investing will manifest itself over time when the focus shifts again to business fundamentals. As history has shown time and again, valuation matters at the end of the day. The "this time it's different" argument that we occasionally hear again, mainly reminds us of previous periods of price-insensitive investing and resulting very high market valuations.

Main performance movers: food & food retail versus oil & cyclicals

During the first five months of 2020, only a few sectors profited from the Covid-19 situation. Among them are food retailers (Citadel has two of them in the portfolio, one of which is **Village Super Market**) and basic food producers such as **Nongshim**, the Korean noodle soup market leader. Driven by earnings that doubled in the first quarter, Nongshim was one of the best performing stocks (25% up). **MPAC Group**, a UK-based packaging machinery manufacturer was the no. 1 performance contributor to Citadel. Its shares performed particularly well before the pandemic hit the markets and its business has an element of resilience as MPAC's main customer base can be found in the food & healthcare sectors.

Most significant performance contributors & detractors
January 1st 2020 to May 31st 2020

Holding	Contribution	Absolute return	Holding	Contribution	Absolute return
MPAC Group	0,9%	20,9%	Dewhurst PLC -A-	-2,6%	-29,4%
Continental	0,8%	29,0%	National Oilwell Varco	-2,5%	-49,6%
Nongshim Co.	0,6%	25,0%	TGS Nopec	-2,2%	-41,2%
Booking Holdings	0,5%	32,4%	Bed Bath & Beyond	-2,1%	-61,4%
Village Super Market -A-	0,3%	6,1%	Toyota Industries Corp.	-1,6%	-20,1%
American Eagle Outfitters	0,2%	29,0%	Pronexus Inc.	-1,2%	-12,7%

Note: Returns include net dividends

The other performance contributors are holdings that the Fund acquired during the market turmoil in March and April when bargain opportunities presented themselves. It is astounding to see that within two months, companies such as **Continental** (automotive supplies), **Booking Holdings** (online travel booking platform) and **American Eagle Outfitters** (apparel retailer) saw their share prices recover so strongly. We will discuss the new additions below.

Citadel's performance detractors were mainly in the more cyclical sectors. Oil service-related holdings (**National Oilwell Varco** and **TGS Nopec**) had to cope with a particularly harsh environment of collapsing oil demand (due to

[1] **EV/EBITDA** divides the current market price including net cash/debt on the balance sheet by its pre-tax operating earnings. We prefer using this ratio over the Price Earnings ratio because it better reflects cash earnings and includes the cash and/or debt on the company balance sheet. Interested readers looking for more detail are kindly referred to the November 2007 Shareholder Letter available at www.citadelfund.com.
[2] **Free Cash Flow Yield** is the cash flow available after capital expenditure, working capital movements and taxes paid expressed as a percentage of the Enterprise Value. This can be compared to bond yields, real estate yields etc.

the lockdown situation) and an increasing oil supply (because of the price war between Saudi Arabia and Russia). Furniture and domestic merchandise retailer **Bed Bath & Beyond** showed poor share price performance as the Covid-19 lockdown hit the company amidst its unfinished operational turnaround. **Toyota Industries** (automotive and material handling equipment) significantly outperformed the hard-hit automotive sector but was nevertheless not immune to the lockdown situation.

Portfolio movements during 2020

As already touched upon, Citadel had quite a lot of portfolio changes in 2020 year-to-date. We reduced some of the holdings for valuation or risk management reasons, and we increased the weighting in some other positions at attractive price levels. In addition, we have used the market volatility to add no less than five new holdings to the portfolio, which we expect to yield significant future returns.

Changes in the Portfolio
January 1st 2020 to May 31st 2020

Holdings bought or added to	Holdings reduced, sold or acquired in a buy-out
American Eagle Outfitters	Bed Bath & Beyond
Booking Holdings	Hanil Holdings
Boskalis	MPAC Group
Continental	Pronexus
TGS Nopec	Signify
Signify	Signaux Girod
SOL Group	Toyota Industries
Village Super Market	

Mid-January, we reduced the relatively high weighting in **Signify** (lighting products) and in April the market turmoil enabled us to buy back more shares than we had sold in January at half the price we had sold them. We also increased the positions in **Village Super Market** and **TGS Nopec** at depressed share price levels. We reduced our weighting in **MPAC** starting in January, at threefold the level of our purchase in 2017. As the Covid-19 crisis started to unfold, we reduced the weighting in some of the more cyclical holdings such as **Toyota Industries** and exited **Hanil Holdings** (Korean cement). We also sold the remaining insignificant position in **Signaux Girod**. Due to Covid-19 turmoil, we decided to divest the position in **Bed Bath & Beyond**, despite its strong balance sheet and ample liquidity headroom. We felt that the uncertain outlook caused by the pandemic added too much risk to the operational turnaround the company was executing, given vacancies for the majority of the management team and an under-developed digital sales channel.

Good news is that we were able to invest in five new holdings during March and April. Some of which were names we have had on our radar screen for a number of years and others were never near an attractive price point but suddenly the right pricing-opportunity presented itself. **SOL Group** is one of the additions we eyed for some time and we will elaborate about this company in the next section. We also purchased shares in **Continental AG**, a leading German automotive parts and tire manufacturer. The global car market is completely in the doldrums due to the lockdown situation which comes on top of the disruptive electrification trend. Continental has its fair share of related challenges. At some point in March, however, the stock price of Continental dropped clearly below the intrinsic value of its tire business, which happens to be the company's most stable and highest margin business segment. At this attractive price level, the remaining activities were included for free.

After the Covid-19 lockdown unfolded itself in the US, we initiated a position in **American Eagle Outfitters**, a leading apparel retailer known for their jeans and well-performing Aerie women intimates brand. In our view, the depressed valuation of 2x EV/2019 EBITDA reflected extremely harsh retail conditions which are of a temporary nature and will partly be compensated by online sales. Indeed, both offline and online, AEO has shown to be an outperforming operator during the lockdown period and the company positively surprised the market with a strong revival of its business. **Boskalis** is another new holding for Citadel. Boskalis is a global leading maritime service provider, best known for its large-scale dredging activities. While Boskalis' activities are in part cyclical and will be affected by a recession, its record-high long-term order book of large infrastructural projects around the world should act as a cushion. Based on our analysis, the share price at which the Fund bought reflected a too pessimistic long-term outlook and we are confident that Boskalis' intrinsic value is at least twice this level.

Among the new holdings is a company named **Booking Holdings**, which might seem an atypical name for Citadel. Booking.com is the leading online travel & leisure booking platform. The economic returns of a market leading Internet platform are hugely attractive, given its scalability, very high margins, and low fixed cost base. The balance sheet strength of Booking is more than sufficient to weather a prolonged period of dismal travel conditions. The market turmoil in March presented us with a rare opportunity to buy into a leading and very cash flow generative company at a 16% normalized free cash flow yield. We believe this represents great value to our shareholders.

Portfolio Holdings
as of 29 May 2020

Company	Activity	% of NAV
Pronexus	business services (financial documentation & IR services)	8,4%
Dewhurst -A-	industrial goods (elevator fixtures & controls)	6,7%
Village Super Market -A-	retail (supermarkets)	5,7%
GS Home Shopping	retail (TV home shopping & e-commerce)	4,7%
Signify	industrial goods (lighting)	4,5%
Ahold Delhaize	retail (supermarkets)	4,3%
Toyota Industries	industrial goods (Toyota, forklifts, engines, cars & parts)	3,9%
Berentzen Gruppe	consumer goods (spirits & beverages)	3,9%
Nongshim Holdings	holding co. (Nongshim, packaging, food ingredients)	3,8%
Continental	industrial goods (tires & automotive components)	3,6%
Nongshim Co.	consumer goods (food & beverages)	3,5%
TGS Nopec	industrial services (seismic data)	3,4%
Nichirin	industrial goods (automotive components)	3,1%
Boskalis	industrial services (maritime services)	3,0%
SOL Group	healthcare (medical & technical gases)	3,0%
Zwack Unicum	consumer goods (spirits)	3,0%
National Oilwell Varco	industrial goods (oil field equipment & services)	2,7%
Daekyo -preferred-	consumer services (education)	2,5%
MPAC Group	industrial goods (packaging machinery)	2,1%
Booking Holdings	retail (online travel & leisure)	2,1%
American Eagle Outfitters	retail (apparel)	1,8%
Cash and other assets & liabilities		20,3%
		100,0%

As per May 31st, 2020 the portfolio consists of holdings in 21 companies, unchanged since our November 30th shareholder letter despite the many changes under the hood. The portfolio top-5 consists of two Asian companies, two European businesses and one US company. Companies listed in Europe represent 36% of the Fund's NAV. The Fund's exposure to Asia (Japan and South Korea) is around 32%, down from 40% a year earlier. The exposure of Citadel to the US equity market has increased to 12% from 9% a year earlier. This is still low relative to the size of the US equity market. The largest sector exposure can be found in industrial goods, consumer staples and industrial services. The Fund's cash balance (net of other assets & liabilities) per May 31st, 2020 amounted to 20% of NAV, which provides sufficient room to manoeuvre. But given the expected continuation of volatility and expected opportunities, we would like to reiterate that Citadel is accepting additional capital. As we have experienced, attractive opportunities sometimes exist only for a couple of days which makes it impossible to time investments beforehand. Hence the importance to have sufficient cash at hand to be ready to strike when opportunities present themselves.

SOL Group: a healthy investment

We already touched upon **SOL Group** being a company that was on our radar screen for some time. Italy-based SOL is a pan-European provider of medical and technical gases, majority-held by family shareholders. Roughly two-thirds of revenue relate to medical and healthcare end-markets. For example, SOL delivers high-purity oxygen for home care and for hospital use. With its profile tilted towards healthcare, SOL positively differentiates itself relative to its main peers Linde and Air Liquide. In times where the capacity of the European healthcare sector is the subject of great public interest, we think this positioning adds to the company's attractiveness. In the technical gas business, SOL has long-term supply contracts for delivering various industrial gases used in e.g. food processing and chemical plants.

Both the medical and technical gas business are characterised by long-term supply contracts and are known for their high barriers to entry and long-term customer capture. This business model translates into a long history of high profitability and solid returns on capital. SOL has shown revenue growth in each of the past 20 years with EBITDA margins in a stable bandwidth between 20-22%. Its free cash flow profile has improved over time because the faster growing healthcare business requires lower capital expenditures than the industrial business. We were able to buy a stake in this company at a prospective free cash flow yield of over 12% and a multiple of less than 5x EV/EBITDA. To put this into perspective, the peer group is currently trading at an average EV/EBITDA multiple of 18x. We strongly believe that the Fund's investment in SOL will render solid returns for the years to come.

In conclusion

Our radar screen is still full of numerous prospective investment opportunities. It is a matter of time and price discipline: in many cases stock prices have not come down sufficiently to offer an appropriate margin-of-safety. As market volatility seems to continue for some time, we have high hopes that we will be able to strike again to the long-term benefit of the Fund's shareholders. In the meantime, we take diligent care to preserve your capital and we thank you for your continued trust in Citadel during these times of unprecedented uncertainty. We wish you and your family a safe and healthy Summer break.

Kind regards,

The Board of Directors June 24th, 2020
Citadel Value Fund SICAV