Annual report including audited financial statements as at May 31st 2020

Citadel Value Fund SICAV

Société d'Investissement à Capital Variable
Luxembourg

R.C.S. Luxembourg B85320

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Registered office	88, Grand-Rue L-1660 LUXEMBOURG (since October 1st 2019) 11, rue Aldringen L-1118 LUXEMBOURG (until September 30th 2019)
Board of Directors	
Directors	
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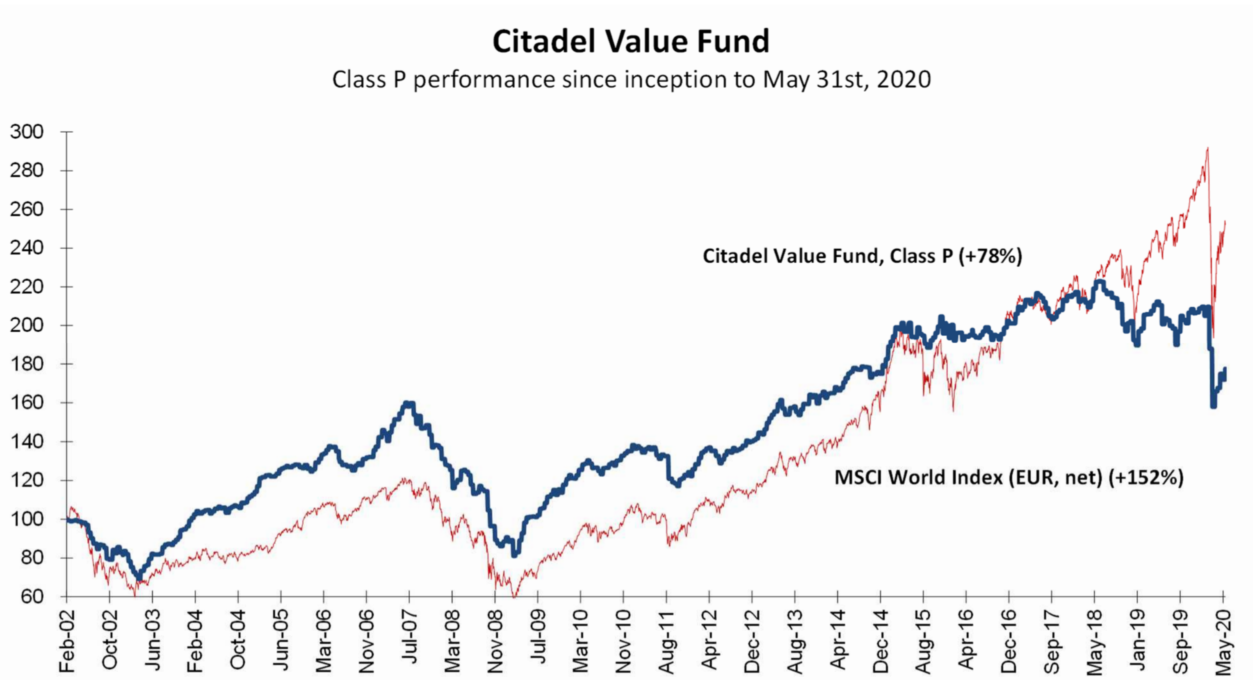
Marleen WATTE-BOLLEN	117, val des Bons Malades L-2121 LUXEMBOURG
Management Company	KREDIETRUST LUXEMBOURG S.A. 88, Grand-Rue L-1660 LUXEMBOURG (since October 1st 2019) 11, rue Aldringen L-2960 LUXEMBOURG (until September 30th 2019)
Board of Directors of the Management Company	
Chairman	Vincent DECALF
Directors	Olivier de JAMBLINNE de MEUX
Managing Director	Aurélien BARON (since February 18th 2020) Kristel COOLS (since February 18th 2020) Stefan VAN GEYT (until February 18th 2020)
Conducting officers of the Management Company	Aurélien BARON Kristel COOLS Antoine LEGROS SAINT-JALM (since February 18th 2020) Stefan VAN GEYT (until February 18th 2020)

Investment manager	ANDREAS CAPITAL S.A. One on One building 1, route d'Esch L-1470 LUXEMBOURG
Investment advisor to the Investment Manager	D&F FINANCIAL SERVICES B.V. Van Hengellaan 2, NL-1217 AS HILVERSUM
Depositary and principal paying **agent**	QUINTET PRIVATE BANK (EUROPE) S.A. (formerly KBL EUROPEAN PRIVATE BANKERS S.A.) 43, boulevard Royal L-2955 LUXEMBOURG
Domiciliary, administrator, registrar and transfer agent	KREDIETRUST LUXEMBOURG S.A. 88, Grand-Rue L-1660 LUXEMBOURG (since October 1st 2019) 11, rue Aldringen L-2960 LUXEMBOURG (until September 30th 2019)
Delegated administrator, registrar and transfer agent	EUROPEAN FUND ADMINISTRATION S.A. 2, rue d'Alsace L-1122 LUXEMBOURG
Réviseur d'Entreprises agréé	BDO Audit 1, rue Jean Piret L-2350 LUXEMBOURG

Dutch investors can get all information required regarding payments on the issuance and redemption of shares of the Fund from D&F FINANCIAL SERVICES B.V., email citadel@df-financial.com or telephone +31 35 582 1650.

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 2020 before recovering. Citadel posted a negative return as well with a year-to-date performance of -15.0% per May 31st 2020 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 P shares have appreciated by 78%.

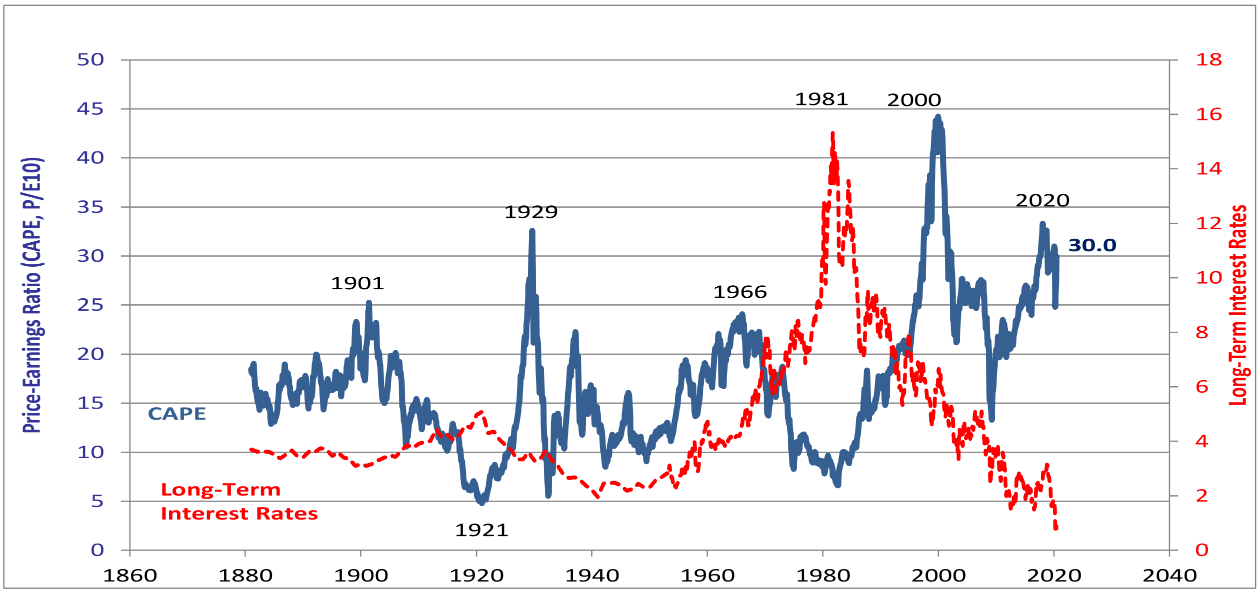


Fund Performance - Class P - as of May 29, 2020	Since inception (11-Feb-02)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD
Citadel Value Fund	77,5%	-18,4%	17,0%	17,2%	12,0%	9,7%	-0,5%	-35,8%	36,2%	12,9%	-6,9%	12,7%	15,1%	10,1%	12,2%	-0,1%	7,4%	-12,1%	10,1%	-15,0%
MSCI World Index	152,1%	-30,2%	10,7%	6,5%	26,2%	7,4%	-1,7%	-37,6%	25,9%	19,5%	-2,4%	14,0%	21,2%	19,5%	10,4%	10,7%	7,5%	-4,1%	30,0%	-7,4%
+/- vs. index	-74,6%	11,8%	6,2%	10,7%	-14,2%	2,3%	1,2%	1,8%	10,3%	-6,6%	-4,5%	-1,3%	-6,2%	-9,4%	1,7%	-10,8%	-0,1%	-8,0%	-19,9%	-7,6%

Note: MSCI World Index (total returns, in EUR). Source: EFA, MSCI

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

[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.

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 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

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Report of the réviseur d'entreprises agréé

To the Shareholders of
Citadel Value Fund SICAV

Opinion

We have audited the financial statements of Citadel Value Fund SICAV (the "Fund") , which comprise the statement of net assets and the statement of investments and other net assets as at 31 May 2020, and the statement of operations and other changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Citadel Value Fund SICAV as at 31 May 2020, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the Law of 23rd July 2016 on the audit profession ("Law of 23rd July 2016") and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under the Law of 23rd July 2016 and ISAs are further described in the "Responsibilities of "*Réviseur d'Entreprises Agréé*" for the audit of the financial statements" section of our report. We are also independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors of the Fund (the "Board of Directors") is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of "*Réviseur d'Entreprises Agréé*" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Report of the réviseur d'entreprises agréé (continued)

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "*Réviseur d'Entreprises Agréé*" for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "*Réviseur d'Entreprises Agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23rd July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23rd July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "*Réviseur d'Entreprises Agréé*" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "*Réviseur d'Entreprises Agréé*". However, future events or conditions may cause the Fund to cease to continue as a going concern.

Report of the réviseur d'entreprises agréé (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Luxembourg, 14 September 2020

BDO Audit
Cabinet de révision agréé
represented by

Frédéric Mosele

Statement of net assets (in EUR)
as at May 31st 2020

Assets	
Securities portfolio at market value	19,715,229.97
Cash at banks	5,028,340.47
Income receivable on portfolio	29,763.04
Prepaid expenses	5,669.43
Total assets	24,779,002.91
Liabilities	
Bank interest payable	2,103.69
Expenses payable	39,565.11
Total liabilities	41,668.80
Net assets at the end of the year	24,737,334.11

Breakdown of net assets per share class

Share class	Number of shares	Currency of share class	NAV per share in currency of share class	Net assets per share class (in EUR)
MP capitalisation	3,048.56	EUR	220.93	673,532.93
P capitalisation	25,496.28	EUR	177.51	4,525,819.29
X capitalisation	105,384.13	EUR	185.40	19,537,981.89
				24,737,334.11

Statement of operations and other changes in net assets (in EUR)
from June 1st 2019 to May 31st 2020

Income	
Dividends, net	481,767.58
Other income	6,119.91
Total income	487,887.49
Expenses	
Investment management fees	189,060.14
Management Company fees	26,257.47
Depositary fees	15,773.94
Banking charges and other fees	12,851.95
Transaction fees	11,176.85
Central administration costs	34,375.09
Professional fees	17,473.95
Other administration costs	16,379.81
Subscription duty ("taxe d'abonnement")	12,732.31
Bank interest paid	6,895.27
Interest paid on bank deposits	11,930.54
Other expenses	16,324.02
Total expenses	371,231.34
Net investment income	116,656.15
Net realised gain/(loss)	
- on securities portfolio	-1,985,182.44
- on foreign exchange	-5,013.01
Realised result	-1,873,539.30
Net variation of the unrealised gain/(loss)	
- on securities portfolio	-1,140,238.46
Result of operations	-3,013,777.76
Subscriptions	1,962,477.16
Redemptions	-1,600,668.25
Total changes in net assets	-2,651,968.85
Total net assets at the beginning of the year	27,389,302.96
Total net assets at the end of the year	24,737,334.11

The accompanying notes are an integral part of these financial statements.

Statistical information (in EUR)
as at May 31st 2020

Total net assets	Currency	31.05.2018	31.05.2019	31.05.2020
	EUR	31,863,643.61	27,389,302.96	24,737,334.11

Net asset value per share class	Currency	31.05.2018	31.05.2019	31.05.2020
MP capitalisation	EUR	273.24	247.88	220.93
P capitalisation	EUR	222.85	200.66	177.51
X capitalisation	EUR	232.76	209.58	185.40

Number of shares	outstanding at the beginning of the year	issued	redeemed	outstanding at the end of the year
MP capitalisation	2,938.23	110.33	-	3,048.56
P capitalisation	28,512.12	5,037.27	-8,053.11	25,496.28
X capitalisation	99,911.58	5,472.55	-	105,384.13

Statement of investments and other net assets (in EUR)
as at May 31st 2020

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets

Investments in securities

Transferable securities admitted to an official stock exchange listing

Shares

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
EUR	168,569	Berentzen-Gruppe AG	1,381,814.48	964,214.68	3.90
EUR	10,000	Continental AG	692,995.00	884,400.00	3.57
EUR	47,000	Koninklijke Ahold Delhaize NV	468,371.21	1,072,070.00	4.33
EUR	45,000	Koninklijke Boskalis Westminster NV	690,000.00	748,800.00	3.03
EUR	58,000	Signify NV	1,266,940.03	1,115,340.00	4.51
EUR	71,984	Sol SpA	718,578.11	745,034.40	3.01
			5,218,698.83	5,529,859.08	22.35
HUF	15,000	Zwack Un Liq Ind and Trad Plc	572,052.36	736,341.34	2.98
JPY	65,000	Nichirin Co Ltd Reg	853,103.18	759,906.14	3.07
JPY	226,600	Pronexus Inc	1,138,422.89	2,072,013.53	8.38
JPY	21,000	Toyota Industries Corp	563,125.16	966,249.89	3.91
			2,554,651.23	3,798,169.56	15.36
KRW	300,000	Daekyo Co Ltd Pref	1,163,273.98	627,613.61	2.54
KRW	3,740	Nong Shim Co Ltd	761,364.50	858,626.36	3.47
KRW	17,000	Nong Shim Holdings Co Ltd	893,739.22	943,858.11	3.81
			2,818,377.70	2,430,098.08	9.82
NOK	65,000	TGS Nopec Geophysical Co ASA	1,109,861.96	832,639.32	3.37
USD	55,000	American Eagle Outfitters Inc	399,232.82	453,098.30	1.83
USD	350	Booking Holdings Inc Reg	396,663.50	516,050.90	2.09
USD	60,000	National Oilwell Varco Inc	1,467,811.42	672,902.24	2.72
USD	65,000	Village Super Market Inc A	1,207,163.63	1,398,911.77	5.65
			3,470,871.37	3,040,963.21	12.29
Total shares			15,744,513.45	16,368,070.59	66.17

Transferable securities dealt in on another regulated market

Shares

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
GBP	248,500	Dewhurst Plc A Non Voting	638,657.67	1,650,105.15	6.67
GBP	175,000	MPAC Group Plc	301,316.50	525,108.60	2.12
			939,974.17	2,175,213.75	8.79
KRW	13,500	GS Home Shopping Inc	1,162,936.33	1,171,945.63	4.74
Total shares			2,102,910.50	3,347,159.38	13.53
Total investments in securities			17,847,423.95	19,715,229.97	79.70
Cash at banks				5,028,340.47	20.33
Other net assets/(liabilities)				-6,236.33	-0.03
Total				24,737,334.11	100.00

The accompanying notes are an integral part of these financial statements.

Industrial and geographical classification of investments
as at May 31st 2020

Industrial classification
(in percentage of net assets)

Non-cyclical consumer goods	26.68 %
Industrials	24.71 %
Cyclical consumer goods	19.21 %
Energy	6.09 %
Raw materials	3.01 %
Total	79.70 %

Geographical classification
(in percentage of net assets)

Japan	15.36 %
South Korea	14.56 %
United States of America	12.29 %
The Netherlands	11.87 %
United Kingdom	8.79 %
Germany	7.47 %
Norway	3.37 %
Italy	3.01 %
Hungary	2.98 %
Total	79.70 %

Statement of changes in investments
from June 1st 2019 to May 31st 2020

Currency	Description	Purchases	Sales	Corporate actions
Shares				
EUR	CNIM Group SA	0	17,500	0
EUR	Continental AG	10,000	0	0
EUR	Koninklijke Boskalis Westminster NV	45,000	0	0
EUR	Signaux Girod SA	0	14,544	0
EUR	Signify NV	15,000	10,000	0
EUR	Sol SpA	71,984	0	0
GBP	MPAC Group Plc	0	320,673	0
JPY	Nichirin Co Ltd Reg	24,600	0	0
JPY	Pronexus Inc	0	28,400	0
JPY	Proto Corp Reg	0	120,400	60,200
JPY	Toyota Industries Corp	0	20,000	0
KRW	Hanil Holdings Co Ltd	0	18,548	0
NOK	TGS Nopec Geophysical Co ASA	24,000	0	0
USD	American Eagle Outfitters Inc	55,000	0	0
USD	Bed Bath and Beyond Inc Reg	60,000	60,000	0
USD	Booking Holdings Inc Reg	350	0	0
USD	Village Super Market Inc A	13,050	0	0

Note 1 - General information

Citadel Value Fund SICAV ("the Fund") is a "*Société d'Investissement à Capital Variable*" ("SICAV"), established on January 3rd 2002 for an indefinite duration.

The financial year of the Fund runs from June 1st to May 31st.

The reference currency of the Fund is the Euro (EUR).

The most recent annual report and the most recent semi-annual report, the Articles of Association, the Prospectus and the KIID are available at the registered office of the Fund and on its website www.citadelfund.com. At those places the last three annual reports of the Fund are available.

Note 2 - Significant accounting policies

a) Presentation of the financial statements

The financial statements of the Fund are prepared in accordance with the Luxembourg legal and regulatory requirements concerning undertakings for collective investment and with generally accepted accounting principles in Luxembourg.

The financial statements of the Fund have been prepared on a going concern basis.

b) Valuation of assets

The valuation of the investments is based on the following principles:

1) Investments (transferable securities and money market instruments) listed on any stock exchange and on any regulated market are valued at the last closing price, unless the price is not representative. In the latter case the price will be valued at the probable realization value estimated with care and good faith and are placed under the responsibility of the Board of Directors.

2) Investments (transferable securities and money market instruments) which are not listed on any stock exchange are valued on the basis of the probable realization value estimated with care and good faith under the responsibility of the Board of Directors.

3) The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued and not yet received is deemed to be their nominal value thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof is arrived at after making such a discount as may be considered appropriate by the Board of Directors in such case to reflect the true value thereof.

The Board of Directors, at its discretion, may permit some other method of valuation to be used if it considers that such valuation better reflects the fair value of any asset of the Fund.

c) Acquisition cost of securities in the portfolio

The acquisition cost of the securities held by the Fund that are denominated in currencies other than the reference currency of the Fund is converted into this currency at the exchange rate prevailing on the date of purchase.

d) Net realised gain /(loss) on securities portfolio

The realised gains and losses on securities portfolio are calculated on the basis of the average acquisition cost and are disclosed net in the statement of operations and other changes in net assets.

e) Investment income

Dividend income is recorded at the “ex-date”, net of any withholding tax.

f) Conversion of foreign currencies

Cash at banks, other net assets, liabilities and the market value of the securities in portfolio expressed in currencies other than the reference currency of the Fund are converted into this currency at the exchange rate prevailing on the date of the financial statements. Income and expenses expressed in currencies other than the reference currency of the Fund are converted into this currency at the exchange rate prevailing on the date of the transaction. Net realised gains or losses on foreign exchange are disclosed in the statement of operations and other changes in net assets.

At the date of the financial statements, the exchange rates are the following:

1	EUR	=	0.8998139	GBP	Pound Sterling
			346.3067825	HUF	Hungarian Forint
			119.7516309	JPY	Japanese Yen
			1,374.2531770	KRW	South Korean Won
			10.8120044	NOK	Norwegian Krona
			1.1119000	USD	US Dollar

g) Transaction fees

Transaction costs disclosed under the item "Transaction fees" in the statement of operations and other changes in net assets are mainly composed of broker fees incurred by the Fund relating to purchases or sales of securities and of fees relating to liquidation of transactions paid to the depositary bank.

Note 3 - Investment management fees

The Management Company KREDIETRUST LUXEMBOURG S.A. appointed Andreas Capital S.A. as Investment Manager. The Investment Manager is entitled to an investment management fee, calculated monthly, payable at the end of each month and based on the net assets of the Fund as at the last monthly Valuation Date at a rate of 0.75% p.a. The net assets pertaining to the Class “MP” shares are not included in this calculation as they are not subject to the investment management fee.

The Investment Manager appointed as its investment advisor D&F Financial Services B.V., who may, subject to approval of the Investment Manager, sub-delegate its powers under an Investment Advisory Agreement signed on November 27th 2015 for an indefinite period.

D&F Financial Services B.V. is remunerated by the Investment Manager. The Investment Manager pays the Investment Advisor on a monthly basis a fee of 80% of the Investment Management Fee.

The Investment Advisor provides assistance and advice to the Investment Manager regarding investment decisions.

Note 4 - Management Company fees

The Fund appointed KREDIETRUST LUXEMBOURG S.A. as Management Company. The Management Company is entitled to a fee amounting to 0.05% p.a. calculated on the basis of the Net Asset Value of the Fund, with an annual minimum of EUR 20.000 payable out of the assets of the Fund.

Note 5 - Incentive fees

The Investment Manager is entitled to an incentive fee equal to 20% in case of the “P” share Class and to 10% in case of the “X” share Class of the Excess Return (as defined below), if any, achieved by the Fund, which is calculated and payable annually at the end of each financial year. The net assets pertaining to the Class "MP" shares are not included in this calculation as they are not subject to the incentive fee.

The incentive fee is calculated in the following manner:

If the Fund Return (as defined below) exceeds the Hurdle Rate (as defined below), the difference between the Fund Return and the Hurdle Rate shall constitute the Excess Return.

The incentive fee will be subject to the following 2 restrictions:
1) There will be no incentive fee if the Excess Return so defined is 0 or negative.
2) A High Watermark restriction: There will be no incentive fee if the total net assets of the current financial year (before accrual of the incentive fee and adjusting for subscriptions, redemptions and dividends, if any are paid in the current financial year) is lower than the total net assets (after accrual of the incentive fee and adjusting for subscriptions, redemptions and dividends, if any are paid) as of the end of any of the three financial years preceding the current financial year.

The Fund Return in any year is calculated by deducting the total net assets of the previous financial year (after accrual of the incentive fee) (to be referred to as the initial net assets for the calculation of the performance fee) from the last total net assets of the current financial year (before accrual of the incentive fee and adjusting for subscriptions, redemptions and dividends, if any are paid in the current financial year).

The Hurdle Rate is defined as the return that would have accrued had a sum equal to the initial net asset value ("NAV") (and subsequently adjusted for subscriptions, redemptions and dividends) been invested at the higher of the 1 year EURIBOR or 4% and the lower of 10% or 1 year EURIBOR during the relevant year.

For the purpose of calculating the NAV per share as of any Valuation Date, the incentive fee (if applicable) will be expensed and provisioned. On each Valuation Date, the incentive fee will be recalculated, based on the actual Excess Return, if any, on that Valuation Date. The Fund will pay out an incentive fee, if any, to the Investment Manager, only once a year after the end of each fiscal year, based on the Excess return, if any, as per the date of the fiscal year end.
In case of a redemption at a net asset value per share that includes an incentive fee provision, the pro rata part of that incentive fee will be carried forward as a materialised incentive fee until the fiscal year end, and will be paid to the Investment Manager after the fiscal year end.

The Investment Manager pays the Investment Advisor 100% of the Incentive Fee.

At the date of the financial statements, no incentive fee was recorded.

Note 6 - Subscription tax ("*Taxe d'abonnement*")

In accordance with current law and practice in Luxembourg, the Fund is not subject to Luxembourg corporate tax. Nor are dividends that are paid by the Fund subject to any Luxembourg withholding tax. However, the Fund is subject in Luxembourg to a registration tax of 0.05% per annum with regard to the "Class P", "Class X" and "Class MP" shares that is payable quarterly in arrears on the basis of the value of the aggregate net assets of the Fund at the end of the relevant calendar quarter. No stamp duty or other tax is payable in Luxembourg on the issue of new shares, except for the payment of an initial capital tax of EUR 1,250.00 that was paid at the incorporation of the Fund.

Note 7 - Depositary fees and Central administration costs

The Board of Directors appointed KREDIETRUST LUXEMBOURG S.A. as administrative agent and QUINTET PRIVATE BANK (EUROPE) S.A. (formerly KBL EUROPEAN PRIVATE BANKERS S.A.) as depositary.

KREDIETRUST LUXEMBOURG S.A. delegated this function to EUROPEAN FUND ADMINISTRATION S.A..

Central administration costs and depositary fees are based on annual rates as defined in the respective contracts.

Note 8 - Directors' fee

The members of the Board of Directors may be entitled to a Directors' fee, to be approved by the general assembly of Shareholders, as well as reimbursements of expenses incurred by them in the conduct of their duties.

The Directors' fees are recorded under the caption "Other expenses" in the statement of operations and other changes in net assets.

At the date of the report, the Directors' fee incurred by the Fund amounted to EUR 10,885.39 (the net amount is EUR 8,708.31 and EUR 2,177.08 is the 20% WHT).

Note 9 - Subscription and redemption fees

No subscription and no redemption fees are payable.

Shares redeemed have no voting rights and do not participate in dividends, if applicable, or other distributions.

Note 10 - Subsequent events

The Board of Directors has decided to change the current cut-off time for the investors from 5.30 p.m (Luxembourg time) preceding a Valuation Date to 5.30 p.m (Luxembourg time) preceding a NAV Date as of July 30th 2020.

"Valuation Date" is defined as the day of the determination of the net asset value of the Shares, using the closing prices of the relevant NAV date; is therefore the day after the NAV Date. The "NAV Date" is either (i) the 15th day of each calendar month provided this day is a full bank business day in Luxembourg and if not on the next Business Day, or (ii) the last day of each calendar month provided this day is a Business Day and if not on the preceding Business Day.

Therefore, the Board of Directors modified the Prospectus, visaed by the CSSF in July 2020.

The Board of Directors took the opportunity to make some further minor updates to the Prospectus of the Fund.

Note 11 - Impact of the COVID-19 outbreak

During the 2019/20 financial year, COVID-19 impacted general financial market sentiment as well as the operating performance of the companies held in the Fund's portfolio. The actual impact of COVID-19 on the economic performance of the Fund has been visible mainly in the Fund's performance in the months of February (-8.3%), March (-11.7%), April (+5.4%) and May (+1.5%) as measured by the NAV per share. The Fund has seen a material reduction of stock market valuations followed by a gradual recovery. The Fund has reacted by reducing its exposure to holdings that are considered to have above average risk (e.g. holdings in cyclical companies), after having performed extensive stress testing analysis on the portfolio company level. At the same time, the Fund has profited from attractive investment opportunities that were discovered during the highly volatile market circumstances. These investment opportunities have been selected after thorough analysis including liquidity stress testing as part of the COVID-19 uncertainties.

The financial situation of the Fund has remained solid throughout the period under review. Cash & cash equivalents held by the Fund have increased to a level of 20.3% per the end of the financial year, up from 16.6% at the start of the financial year.

Since the end of the 2019/20 financial year, financial markets continue to be impacted by developments around COVID-19. This continues to result in above-average volatility of the financial markets. Post balance sheet date, the Fund's NAV has increased 2.6% in the period from May 31st 2020 to August 31st 2020. Post balance sheet date, Cash & cash equivalents held by the Fund have increased to a level of 27.0% per August 31st 2020, further mitigating potential financial and/or liquidity risks.

The Management Company as well as the Investment Manager have a Business Continuity Plan in place ready to be implemented to ensure operational continuity in line with regulatory obligations. Both companies also have a risk management in place, ready to react if required.

The Fund issues each month a newsletter addressed to the Fund's (potential) investors with disclosures of any relevant significant information concerning the impacts of COVID-19 on the Fund's portfolio as well as limited financial reporting and explanations on underlying investments. The Fund continues to provide transparency on the actual and potential impacts of COVID-19, in these newsletters as well as in the (semi) annual financial reports of the Fund.

1 - Risk management

As required by Circular CSSF 11/512, the Board of Directors of the Fund needs to determine the global risk exposure of the Fund by applying either the commitment approach or the VaR (“Value at Risk”) approach.

In terms of risk management, the Board of Directors of the Fund decided to adopt the commitment approach as a method of determining the global exposure.

2 - Remuneration

As at December 31st 2019:

Total KTL staff member remuneration is split into a fixed and a variable remuneration:
-Fixed EUR 3,564,071.10
-Variable EUR 316,133.05

Number of employees:
-31 headcount

Aggregated remuneration of the conducting officers remuneration is EUR 930,196.00**.**

Details of the management company's updated remuneration policy, including a description of how remuneration and benefits are calculated, are available on the website https://www.quintet.com/en-LU/Pages/Regulatory-affairs.

3 - Information concerning the transparency of securities financing transactions and of reuse of cash collateral (regulation EU 2015/2365, hereafter "SFTR")

During the reporting period, the Fund did not engage in transactions which are subject to the publication requirements of SFTR. Accordingly, no information concerning the transparency of securities financing transactions and of reuse of cash collateral should be reported.