

THE VINTAGE WINE FUND

Commentary

The year began well with the two negative effects of the last few months of last year beginning to disappear from the market.

Firstly, the end-of- year reduced price offers were quickly snapped up and normal market levels reinstated. We, of course, were happy to play our own part in relieving merchants of this under-priced stock.

Secondly, the wide gulf which has opened up between the UK and mainland European market began to close with UK prices adjusting upwards. This inevitable realignment has been triggered by strong demand in the UK building up as US and Far Eastern purchasers concentrate their buying where prices are lowest. The process has some way to run and further positive effects should be experienced over the next two to three months. We have said enough about the unique circumstances which meant that this effect was unusually large and persistent and it is therefore sufficient to say that we are fairly sure that we will not have to bore investors with FX related tedium for some time!

Demand in the Bordeaux market is now undoubtedly much more wide ranging than we have been seeing in the last year or so. The top wines of the legendary 1982 vintage are still pushing up and now frankly feel on the verge of dramatic leap to a whole new level. But we have also seen strong interest across all vintages in wines such as Leoville Las Cases 1986, Mouton Rothschild 1986, Margaux 1990, Latour 1990, Latour 1996, Mouton 2000, Latour 2003. Reports from merchants from around Europe would suggest the following picture is unfolding:

- American stocks of European fine wine are the lowest for years. US consumers and collectors are showing they are happy to pay the higher dollar price for their favourite wines. Restocking has just begun and could have an enormous impact.
- Far Eastern collectors including some well known names are buying again, but with more discipline and more broadly than in 1997/98. Also, this is for drinking not for speculation.
- European demand is on the up with more enthusiasts than ever actively looking to build up their private cellars.

We are therefore confident that 2005 will be a very successful year.

Portfolio Breakdown - % NAV

	Red still	White still	Other
Bordeaux	64.0%	2.4%	0.0%
Burgundy	5.2%	0.6%	0.0%
Rhone	9.7%	0.0%	0.0%
Rest of France	0.0%	0.0%	1.7%
Italy	4.4%	0.0%	0.0%
Other	0.1%	0.0%	0.4%
TOTALS	83.5%	2.9%	2.1%

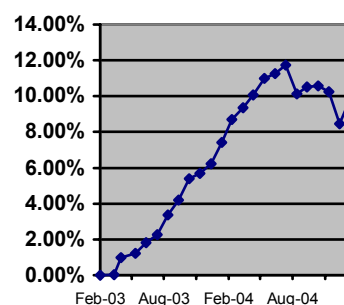
Cash – 11.5%

Wine – 88.5%

January 2005

ORDINARY SHARES

Price (€):	109.92
P&L on month:	1.34%
Year to date:	1.34%
Since inception:	9.92%
Leverage:	0.00%



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Fund Structure

Domicile: Cayman Islands

Inception: 20th February 2003

Denomination: Euro (€)

Subscription: Monthly

Redemption: Quarterly

NAV: Month end by Administrator

Administrator: Olympia Capital
(Ireland) Limited

For Further Information Contact

The Investment Manager (see above)

	2003	2004	2005 (YTD)
ORD for Year	6.22%	2.12%	1.34%

2005	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Ord	1.34%												1.34%