

OWC Asset Management Limited

THE VINTAGE WINE FUND

Commentary

With the market quietening down for summer and prices generally static, this report will focus on the 2004 en primeur campaign (all our purchases have been processed during June) and discuss why this vintage has been a success for the Fund.

The first few wines to be released suggested that although prices were certainly being set lower than 2003, they were generally rather higher than the low 2002 prices – the level generally viewed as being necessary to attract sufficient demand to soak up this broadly uninspiring large production vintage. As the releases slowly emerged, prices continued to be pitched at levels which were not so high as to be termed unrealistic, but were not really low enough to make this vintage look any more appealing than a number of other recent vintages of comparable quality. This created a general atmosphere of apathy and a number of buyers simply decided to opt out.

This provided the Fund with an attractive opportunity since a number of negociants had stock available and were keen to sell. We dealt with five major negociants and were able to very considerably increase our first growth and top second growth allocations. One might ask why we were so keen to buy when others were much less enthusiastic and the answer to this is threefold:

- a) The wines we purchased were all the top wines of the vintage – i.e. in quality terms they are above average for 2004. However, simply due to apathy for the vintage as a whole, stock of these top wines was available and (unusually for Bordeaux releases) prices were negotiable. These wines were therefore in our view keenly priced.
- b) While prices may have been a little tight for a merchant looking to make a 15% turn immediately, we can be a little more patient. There are not many overnight windfalls in this vintage (hence no big immediate profits hitting the bottom line this month) but all our purchases can be expected to show a reasonable return over the next 18 to 24 months.
- c) It is rare to get the opportunity to increase first growth allocations in the way we managed to this year. First growth allocations generally provide satisfactory returns in mediocre vintages such as this one (see (b)); just as important however is the fact that when the next truly great vintage comes along and competition for stock is fierce, we will be sitting on secure fixed large allocations worth a great deal. We therefore viewed this as an opportunity not to be missed.

Portfolio Breakdown - % NAV

	Red still	White still	Other
Bordeaux	69.8%	2.7%	0.0%
Burgundy	5.5%	0.4%	0.0%
Rhone	9.3%	0.0%	0.0%
Rest of France	0.0%	0.0%	1.7%
Italy	4.4%	0.0%	0.0%
Other	0.0%	0.0%	0.4%
TOTALS	89.1%	3.1%	2.1%

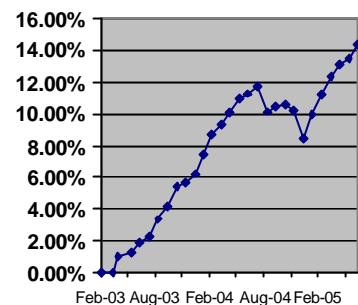
Cash – 5.8%

Wine – 94.2%

June 2005

ORDINARY SHARES

Price (€):	114.38
P&L on month:	0.78%
Year to date:	5.45%
Since inception:	14.38%
Leverage:	0.00%



Investment Manager

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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%	5.45%

2005	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Ord	1.34%	1.16%	1.03%	0.68%	0.34%	0.78%							5.45%

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