

THE VINTAGE WINE FUND

Commentary

The year started in the customary manner with a number of merchants feeling the need to offload stock in January sales. Although these tended to involve wines and vintages outside our sphere of interest, we did get offered a number of good deals at attractive prices. Any effect on prices was short-lived, with discounted wines trading at and above their original price by the end of the month. The same seems to happen each year, but there are always a few merchants who each January attempt to increase their market share or just need to free up some capital: whatever the reason, it is very convenient for us.

We also made a number of sizeable sales to retail customers. We continue to be very happy with the development of our retail base where we can dispose of the lesser wines which we inevitably acquire as part of our allocations. We are able to sell these wines to wine drinkers at prices which are attractive for them compared to the general market while still making very satisfactory quick profits for the Fund on wines which are not suitable for our core portfolio. We are also happy to sell wines from our core holdings provided we get a very full retail price for them and are therefore confident of being able to repurchase quickly at lower levels. This generates useful ongoing income in quiet markets but we must always be careful not to find ourselves selling too early into a prolonged rally. It is of course also important for us to nurture relationships with major private collectors as when we come to take profits on major holdings, selling direct to these individuals will result in much better exit values than dealing with the trade.

The main focus in the market for the month was 2002 Burgundies. There was a bit of a scramble for the wines as the vintage has received high critical acclaim although some commentators are still keener on the more "classic" 2001s over the "accessible" 2002s. Prices have already started to move up, helped by the small crop in 2003 and the Grand Crus now look expensive compared to 2001s. However experience suggests that in a contest between "classic" and "accessible", both with high ratings, "accessible" usually wins! Of course, production size always limits what one can get one's hands on in Burgundy so the only approach really is to buy both. We do have our direct allocations and have been busy purchasing in the secondary market where the prices justify it.

Portfolio Breakdown - % NAV

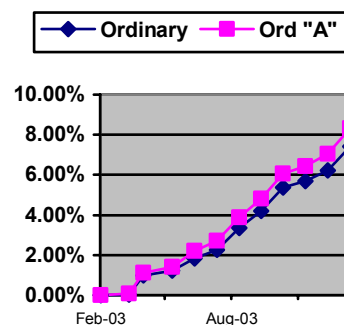
	Red still	White still	Other
Bordeaux	43.0%	1.7%	0.0%
Burgundy	3.5%	0.4%	0.0%
Rhone	10.8%	0.0%	0.0%
Rest of France	0.0%	0.0%	1.9%
Italy	4.4%	0.0%	0.0%
Other	0.1%	0.0%	0.2%
TOTALS	61.8%	2.1%	2.1%

Cash – 34.0 %

Wine – 66.0%

January 2004

	Ord	Ord "A"
Price (€):	107.43	108.33
P&L on month:	1.14%	1.21%
Year to date:	1.14%	1.21%
Since inception:	7.43%	8.33%
Leverage:	0.00%	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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Ord	-	-	0.02%	0.97%	0.24%	0.59%	0.42%	1.08%	0.82%	1.12%	0.29%	0.50%	6.22%
"A"	-	-	0.07%	1.04%	0.31%	0.78%	0.49%	1.15%	0.89%	1.19%	0.36%	0.56%	7.04%
2004	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Ord	1.14%												1.14%
"A"	1.21%												1.21%