

THE VINTAGE WINE FUND

Commentary

The story of the pricing of the 2003 Bordeaux vintage is an interesting one that will no doubt fill pages of the wine press for many months. At the time of last month's report, Chateau Leoville Barton had just released their wine and the price was in line with expectations and was at a level where there were healthy profits to be made by those, like us, in the position to be allocated good quantities direct from negociants. Also, we had calculated target levels for the ultimate stabilised secondary market price of this wine (and indeed of all relevant wines) prior to the start of the campaign and so were able to quickly increase our position from other sources who were often overly keen to make a quick profit but were ultimately shown to be selling the wine on too cheaply. In some cases the price volatility allowed us to trade in and out of positions a number of times while maintaining the overall long position.

However, as the top wines were released, it emerged that a number of properties were going to make every effort to capitalise on the hype surrounding this vintage. In some cases, the very large price increases – in the range of 50% to 120% higher than 2002 and sometimes even higher than 2000 release prices – were justified by their unique wines. In others, the prices were proved to be unjustifiable and a number of serious chateaux have now seen their wines trading in the secondary market beneath the release prices as merchants dump stock that their private customers are simply unwilling to pay up for.

It was always going to be a vintage where sizeable profits were only to be had from a smallish subset of the top properties and not an across-the-board vintage like 2000. Unfortunately, even some of these great wines have released at a prices pretty close to our target levels, leaving little short term upside but it has still been, and continues to be, a very successful vintage for us – we have simply had to concentrate on an even smaller number of wines than we would have anticipated.

Most of the purchasing and trading activity in 2003 wines occurred (and continues) after the month end and this month's performance is mainly due to general market movements and day to day trading of older vintages. In particular we have seen good demand for 1986 and 1990 first and second growths where we hold some large positions.

Portfolio Breakdown - % NAV

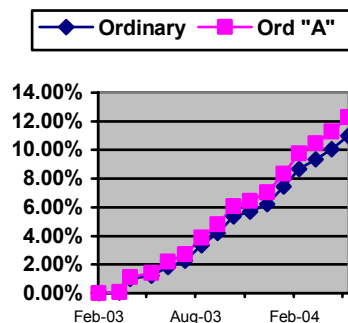
	Red still	White still	Other
Bordeaux	51.6%	1.7%	0.0%
Burgundy	5.2%	0.6%	0.0%
Rhone	11.7%	0.0%	0.0%
Rest of France	0.0%	0.0%	2.1%
Italy	5.1%	0.0%	0.0%
Other	0.1%	0.0%	0.2%
TOTALS	73.7%	2.3%	2.3%

Cash – 21.7%

Wine – 78.3%

May 2004

	Ord	Ord "A"
Price (€):	110.99	112.28
P&L on month:	0.84%	0.91%
Year to date:	4.49%	4.90%
Since inception:	10.99%	12.28%
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%	1.17%	0.60%	0.66%	0.84%									4.49%
"A"	1.21%	1.30%	0.67%	0.72%	0.91%									4.90%