

# OWC Asset Management Limited

## THE VINTAGE WINE FUND

### Commentary

Given the rather unspectacular performance this month, investors would be forgiven for assuming that October was a lacklustre month in the fine wine market. In fact this was far from the truth.

Traditionally, October is a stocking-up month for retailers in the approach to Christmas and can result in strong prices for mature wines and especially mid-range clarets. This year we have seen healthy price appreciation right across the board which of course poses the question: Why the unimpressive performance?

The answer lies in the fact that currently our portfolio is valued largely on the basis of very low (in Euro terms) prices being offered (for small quantities) by UK merchants. Euro prices on the continent are pushing higher on the back of increased demand and a scarcity of older stocks. These increases, coupled with very weak sterling, means that continental supplies are very expensive for UK wholesalers. Rather than pay up, they are at present preferring to work through the small quantities of free stock already within the UK while keeping their GBP prices constant.

Although for any particular wine, there may only be a handful of cases available at these prices, our conservative approach to valuation means we (quite rightly) value our holdings at these lowest prices. We find ourselves in the rather artificial situation of seeing the Euro price of a wine going up while our valuation of that wine goes down due to it being tied to a constant GBP price which is declining in Euro terms! Of course, this situation is not a stable one and eventually UK stock (which will quickly tend to flow back to Europe) runs out. Our valuation then either becomes based on European stock or UK prices which have moved sharply upwards as a result of UK wholesalers restocking.

To give an idea of the potential upside of this realignment, it is worth noting that the prices in Europe of first growth 1982s have moved up by around 5.5% over the last 4 months while our mark to market on these wines has dropped by 1%. Of course, UK collectors starved of stock and disadvantaged by weak sterling may induce the pity of continental merchants who may decide to sell their wines cheaply to the British rather than expensively to their eager domestic clients – but we do not feel this is terribly likely.

### Portfolio Breakdown - % NAV

	Red still	White still	Other
Bordeaux	60.6%	2.6%	0.0%
Burgundy	5.2%	0.6%	0.0%
Rhone	10.7%	0.0%	0.0%
Rest of France	0.0%	0.0%	1.6%
Italy	4.9%	0.0%	0.0%
Other	0.5%	0.0%	0.1%
<b>TOTALS</b>	<b>81.9%</b>	<b>3.2%</b>	<b>1.6%</b>

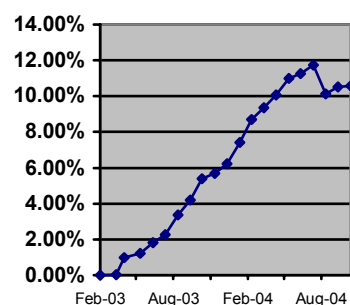
Cash – 13.4%

Wine – 86.6%

**October 2004**

### ORDINARY SHARES

Price (€):	110.56
P&L on month:	0.05%
Year to date:	4.09%
Since inception:	10.56%
Leverage:	0.00%



### Investment Manager

OWC Asset Management Limited  
6<sup>th</sup> Floor 159-173 St John Street  
London EC1V 4QJ

Telephone: +44 (0) 20 7553 4314

Fax: +44 (0) 20 7553 4315

Email: [info@owcam.com](mailto:info@owcam.com)

### Fund Structure

Domicile: Cayman Islands

Inception: 20<sup>th</sup> 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
<b>Ord</b>	-	-	0.02%	0.97%	0.24%	0.59%	0.42%	1.08%	0.82%	1.12%	0.29%	0.50%	<b>6.22%</b>
2004	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>Ord</b>	1.14%	1.17%	0.60%	0.66%	0.84%	0.24%	0.42%	-1.43%	0.35%	0.05%			<b>4.09%</b>

Past performance should not be construed as a guarantee of future performance and the value of such an investment may fall as well as rise. Investment professional use only. Not for public distribution. This document is not to be used or considered as an offer to sell or a solicitation of an offer to buy any securities