

THE VINTAGE WINE FUND

Commentary

There is very little new that we can add to our overview of the current market conditions in last month's report. The pace of price declines is clearly slowing but the essential facts remain the same.

A variety of entities ranging from private collectors to Hong Kong retailers to large (Korean and UK) investment funds are virtually tripping over each other to make stock disposals – the rush of a panicking crowd through a narrow door as one infamous bond trader put it. The trade buyers are not stupid – they are backing off and backing off, but still the sellers smack them down.

If this was a correction stemming from a fundamental re-appraisal on the part of end-users of what they were happy to pay for their top wines, one would be more cautious about the upside in the months ahead. But, with perhaps the exception of some Lafite vintages which had definitely overheated, that is simply not the case. This is a liquidity driven squeeze down which has crashed through longer term trend lines to find a level where even the most cautious of buyers cannot help but be tempted - an artificial, exaggerated move in response to unskilful operators inelegantly dumping stock in unseemly haste. Many modestly priced (relative to first growths) wines with wide appeal have been sucked into the storm and it is amongst those that the greatest opportunities exist.

We will stick our neck out and make a prediction. We will probably see some further modest falls in December followed by a period of static prices for a month or two as the stock overhang clears out. A very strong rebound in prices should start in February/March reaching levels around 20% higher than current levels before the end of the first half of 2012.

In summary, while one can never be certain, it is our strong opinion that this will ultimately look like a terrible time to have sold; moreover, anyone who felt six months ago that they had missed the boat has a fantastic opportunity to get aboard and swap their cash for a hard asset before ballooning money supply and inflation – even the ECB money presses are warming up – erodes the value of paper money.

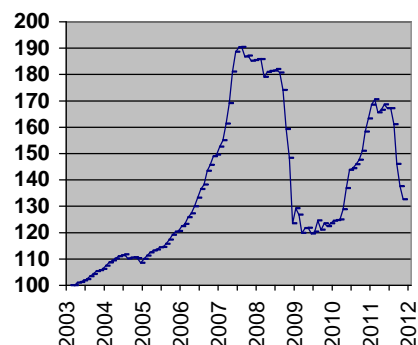
Portfolio Breakdown - % NAV

	Up to 1998	1999 – 2001	2002 and later
Cash: 0.4%			
First growths	32.6%	17.9%	17.6%
Other Bordeaux	5.5%	9.3%	14.5%
Other	0.0%	2.1%	0.0%
Wine: 99.6%	38.2%	29.3%	32.1%

November 2011

ORDINARY SHARES

Price (€):	132.58
P&L on month:	-3.63%
Year to date:	-18.82%
Since inception:	32.58%
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: CACEIS Fastnet Ireland

ISIN: KYG9368H1103
Bloomberg: VWFUNDO:KY

For further information please contact the Investment Manager

	2003	2004	2005	2006	2007	2008	2009	2010	2011 YTD				
ORD	6.22%	2.12%	11.18%	23.97%	23.97%	-33.37%	0.02%	32.21%	-18.82%				
ORD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	0.72%	0.24%	0.18%	3.11%	6.24%	5.08%	0.36%	1.06%	1.15%	2.32%	4.86%	3.17%	32.21%
2011	3.14%	1.27%	-2.93%	0.56%	1.21%	-0.85%	0.05%	-3.69%	-9.37%	-5.73%	-3.63%		-18.82%