

# THE VINTAGE WINE FUND

## Commentary

The pain in the wine market continued to be felt through October as the sellers chased the bids down ever lower. There is nothing terribly complicated about the recent moves – this is an illiquid market and if one tries to sell (or buy) too much too quickly then you have to expect exaggerated price moves.

If one stands back and tries to form an overall view of the market one might say that essentially sound fundamentals create a dynamic for growth that has been going on for many years. One could argue that the entry of a variety of investment entities in the late 2000s and then the brand focused frenzy of Asian stockpiling in 2010 led to two spikes where the market got rather ahead of itself in terms of growth rates. When these spikes corrected the illiquid conditions led to a severe overshoot the other way on the downside. But all the time the fundamental supply and (real end-user) demand picture, while evolving, remained more or less robust. There is perhaps an argument that the speculative operators in the middle of the chain between producers/primary distributors and the end user are adding great volatility to the otherwise steady and solid underlying growth. When those operators are building their stocks prices race up and when they offload it all comes tumbling down – exaggerated price moves against a background of steady growth. Knee-jerk reactions and herd mentality all playing their part.

For anyone who believes in the sound fundamentals, these large and sudden moves have an important implication: it is absolutely vital to consider carefully the timing of entry to and exit from the market. If one is comfortable with the underlying growth trend then it is not hard to arrive at a conclusion on whether this is or is not a good time to sell and to act accordingly – provided one is free to decide for oneself.

Our view is that some correction was reasonable but that we have now overshot; there are currently signs that the market is forming a base at or just under month-end levels where it is likely we will consolidate for a few months before recovering back to around 160 in terms of our share price during the first quarter next year.

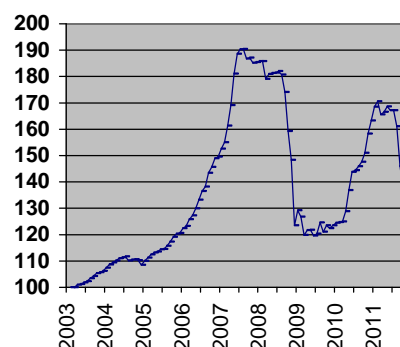
### Portfolio Breakdown - % NAV

	Up to 1998	1999 – 2001	2002 and later
<b>Cash: 0.2%</b>			
First growths	32.6%	18.5%	17.5%
Other Bordeaux	5.7%	9.7%	13.8%
Other	0.0%	2.0%	0.0%
<b>Wine: 99.8%</b>	<b>38.3%</b>	<b>30.2%</b>	<b>31.3%</b>

## October 2011

### ORDINARY SHARES

Price (€):	137.58
P&L on month:	-5.73%
Year to date:	-15.76%
Since inception:	37.58%
Leverage:	0.00%



### Investment Manager

OWC Asset Management Limited  
Mellwood House  
43 Falsgrave Road  
Scarborough, UK  
FSA reference number: 211721

Telephone: +44 (0) 1723 355962  
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: 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				
<b>ORD</b>	<b>6.22%</b>	<b>2.12%</b>	<b>11.18%</b>	<b>23.97%</b>	<b>23.97%</b>	<b>-33.37%</b>	<b>0.02%</b>	<b>32.21%</b>	<b>-15.76%</b>				
<b>ORD</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>YTD</b>
<b>2010</b>	0.72%	0.24%	0.18%	3.11%	6.24%	5.08%	0.36%	1.06%	1.15%	2.32%	4.86%	3.17%	<b>32.21%</b>
<b>2011</b>	3.14%	1.27%	-2.93%	0.56%	1.21%	-0.85%	0.05%	-3.69%	-9.37%	-5.73%			<b>-15.76%</b>