

# OWC Asset Management Limited

## THE VINTAGE WINE FUND

### Commentary

The wine market appeared to ignore the fact that it was summer time and trade during the month was brisk. With less inventory weighing on the market we saw some significant upward price action. It is important to note however that the price increases took the form of some fairly big moves amongst a narrow group of wines – mainly Chateau Lafite from all decent vintages – rather than a uniform move across the board. With demand coming almost entirely from Asian buyers and with that demand so heavily biased towards one particular producer, it would be wrong to start heralding the return of a bull market; but it is certainly encouraging to see how rapidly that small set of wines has regained much of their lost ground. In the last week or so there are signs that other wines are coming into the limelight – Mouton Rothschild, Latour and to some extent Ausone. A hiccup at this point in the recovery cannot be ruled out but if we see a continuation of this spreading of demand – both geographically and in terms of wines sought – the market will build in confidence and the downside potential will recede further and further.

With prices moving in a non-parallel fashion, it is definitely a good time to be looking for opportunities for switching and for optimizing the positioning of the portfolio on an ongoing basis. There are some fairly basic approaches for highlighting apparent relative value opportunities and these can sometimes be useful but at times such as this it is worth remembering that there is more to wine than Parker scores. This is especially important in older wines where production and bottling facilities at the time were rather different to today's pristine operations. One example is a well known wine from the 1986 vintage which for years has lagged far behind its (identically scored) 1982 counterpart in terms of price. This 1986 has often traded as low as 30% of the 1982 price when many other top 1986s which score similarly in the two vintages average around 65% of their 1982 price. Some have seen this as a compelling relative value opportunity. However for those who actually taste such wines regularly rather than simply memorizing the Parker score, it has long been apparent that problems at bottling have caused huge bottle variation. Essentially for every three people who buy a bottle of this wine, one will adore it and two will curse Parker and vow never to buy it again. Or looked at another way – a buyer runs only a one in three chance of actually getting a wine which bears any resemblance to the one Parker's review is based on. Not surprising then that there is a big discount to "fair value" on this wine and an unwary investor, armed with nothing more than an encyclopaedic knowledge of Parker scores would wait a long time for the price "anomaly" to disappear.

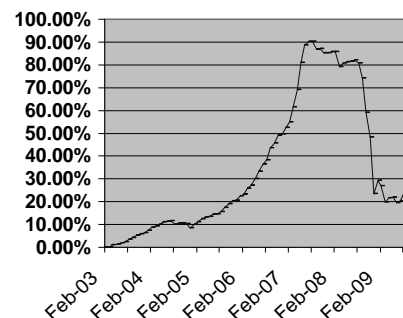
### Portfolio Breakdown - % NAV

Cash: 0.1%	Up to 1990	1991 – 1999	2000 and later
First growths	14.3%	23.5%	33.4%
Other Bordeaux	3.8%	5.8%	18.2%
Other	0.0%	0.9%	0.0%
<b>Wine: 99.9%</b>	<b>18.1%</b>	<b>30.3%</b>	<b>51.6%</b>

**August 2009**

### ORDINARY SHARES

Price (€):	124.57
P&L on month:	3.57%
Year to date:	0.87%
Since inception:	24.57%
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: Fastnet (Ireland) Ltd

ISIN: KYG9368H1103

### For Further Information Contact

The Investment Manager (see above)

	2003	2004	2005	2006	2007	2008	2009 (YTD)						
<b>ORD for Year</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>0.87%</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>2008</b>	0.21%	0.01%	-3.60%	1.00%	0.20%	0.11%	0.33%	-0.77%	-3.59%	-8.56%	-6.88%	-16.7%	<b>-33.37%</b>
<b>2009</b>	4.61%	-1.83%	-5.51%	1.53%	0.09%	-1.82%	0.61%	3.57%					<b>0.87%</b>