

OWC Asset Management Limited

THE VINTAGE WINE FUND

Commentary

The fine wine market generally takes a holiday starting from the second week of December and usually one finds a lot of cheap stock being offered as merchants try to boost sales towards the end of the year. Although December was indeed quiet there was very little evidence of any cheap stock. It is indicative of the health of the market and the generally low stock levels at present that there was none of the customary discounting. That being said, the low activity meant our performance for the month was nothing to get very excited about – except that it represented the final positive monthly return in a year where we have not had a down month.

The only notable trades during the month were a number of sizeable purchases from negociants of ex-chateau stock from a variety of vintages from 1982 up to 2000. One of the major benefits of this is that the wines are always in absolutely pristine (a much abused word in the secondary market!) condition. On that subject, it is worth mentioning that we digitally photograph any wines delivered and substandard wines are returned to suppliers for replacement. We therefore know our portfolio to be in top condition and it really cannot be over emphasised how important this fact will become over the next few years.

Whilst being satisfied with the very low volatility that the Fund has displayed over the year we would point out that the return for the year whilst respectable is only just into the range that we would consider acceptable. It is worth noting that the price appreciations which contributed to the return were, for most of the year, mainly confined to older Bordeaux and it was only in the latter half of the year that younger vintages such as 2000 and 1996 started to participate in the rally. Having been pretty dormant for around seven years, 2005 was the year when wine prices finally started to move again – but we really have only just started. Wines such as Latour 1982 while having performed well in 2005 are now rapidly becoming increasingly rare and it simply seems inevitable that it will trade over 1000 Euro per bottle (current price around 800 Euro) in the next few months and frankly could easily have doubled by the end of the year. The younger vintages will move more steadily but ultimately have just as much upside potential over the next two to three years. The reports from the market in the first trading days of January are of brisk trade and high demand and we look forward to 2006 with very high expectations.

Portfolio Breakdown - % NAV

	Red still	White still	Other
Bordeaux	73.0%	2.4%	0.0%
Burgundy	4.9%	0.3%	0.0%
Rhone	8.0%	0.0%	0.0%
Rest of France	0.0%	0.0%	1.6%
Italy	4.1%	0.0%	0.0%
Other	0.0%	0.0%	0.2%
TOTALS	90.0%	2.7%	1.8%

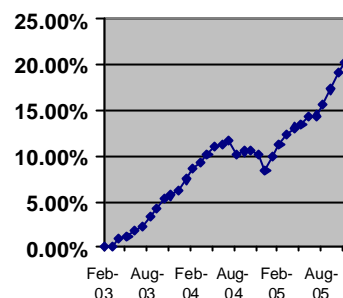
Cash – 5.5%

Wine – 94.5%

December 2005

ORDINARY SHARES

Price (€):	120.60
P&L on month:	0.23%
Year to date:	11.18%
Since inception:	20.60%
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: Olympia Capital
(Ireland) Limited

For Further Information Contact

The Investment Manager (see above)

	2003	2004	2005
ORD for Year	6.22%	2.12%	11.18%

2005	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Ord	1.34%	1.16%	1.03%	0.68%	0.34%	0.78%	0.06%	1.08%	1.39%	1.51%	1.06%	0.23%	11.18%

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