

THE VINTAGE WINE FUND

Commentary – or “today the dollar fell vs. wine by two small sips”

Demand and volumes remained high throughout February and the market felt buoyant. Values of wine measured in GBP or USD went up sharply, were flat in EUR and if expressed in CHF they fell! It is a reminder that performance, even the *direction* of price movements, is entirely dependent on the “base” asset with which one is measuring value. Our “base” asset is the EUR currency; since its recent strength is making our performance look modest it seems like a good time to reflect on all this!

Does wine have a “currency” like an equity or bond? The wines which concern us are all made in Europe by producers with EUR costs and the release prices are set in EUR. This tends to suggest that wine is a EUR asset and indeed prices for a new vintage around the world start out based simply on FX conversions of the EUR release price. However, stocks of wine quickly build up in major centres and trade actively, in various currencies, within and freely between these centres – the main ones being France, UK and Switzerland. USA/Far East are special cases as provenance concerns means wines shipped there are essentially trapped. As time passes, the EUR original cost of the wines becomes a distant memory. Moreover, prices in the main centres, while of course being generally consistent (arbitrages get ironed out by free flows), are no longer simply FX conversions of a “domestic price” in some single “home” country as would be the case with say a US equity. Although certain short term correlations can spike up, over the medium term wine is best viewed simply as a “currency” in its own right - an investor in wine or a wine fund shorts his home currency and has a long position *only in wine*.

The crucial thing to bear in mind is that the above statement is true *regardless* of the currency that the fund happens to choose to express its value. An investor in VWF does not have a long EUR position any more than the buyer of a fund which expresses its value in GBP is long GBP – they are both only long of wine (other than the funds’ cash positions). Regardless of what the *reporting* currency is, there is no foreign exchange exposure - other than the natural short of the investor’s home currency.

To put the above in recent context, VWF has reported a gain of 20% over the last 12 months and this is equivalent to 37% if expressed in GBP (as indeed some funds and indices choose to do). Neither figure is the “real” return because everything is relative. All we can say is that a VWF share is worth 20% more euros or 37% more pounds than it was 12 months ago. Conversely, in 2003/2004 we saw VWF report a gain of 10% over a period when prices of wine expressed in GBP were falling. We simply need to take care to always compare like with like.

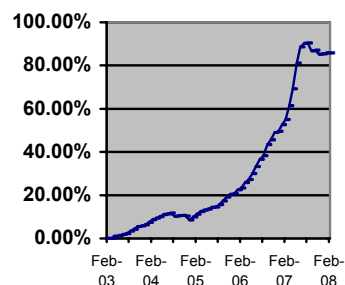
Portfolio Breakdown - % NAV

| | Up to 1990 | 1991 – 1999 | 2000 and later |
|---------------------|--------------|--------------|----------------|
| Cash – 3.5% | | | |
| First growths | 12.2% | 22.7% | 33.1% |
| Other Bordeaux | 4.9% | 7.7% | 15.0% |
| Other | 0.0% | 0.7% | 0.1% |
| Wine – 96.5% | 17.1% | 31.1% | 48.2% |

February 2008

ORDINARY SHARES

| | |
|------------------|--------|
| Price (€): | 185.76 |
| P&L on month: | 0.01% |
| Year to date: | 0.22% |
| Since inception: | 85.76% |
| 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

ISIN: KYG9368H1103

For Further Information Contact

The Investment Manager (see above)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 (YTD) | | | | | | | |
|---------------------|--------------|--------------|---------------|---------------|---------------|--------------|------------|------------|------------|------------|------------|------------|---------------|
| ORD for Year | 6.22% | 2.12% | 11.18% | 23.97% | 23.97% | 0.22% | | | | | | | |
| ORD | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
| 2007 | 2.03% | 1.57% | 4.13% | 4.81% | 7.03% | 4.20% | 0.86% | 0.05% | -1.86% | 0.15% | -1.00% | 0.08% | 23.97% |
| 2008 | 0.21% | 0.01% | | | | | | | | | | | 0.22% |