

THE VINTAGE WINE FUND

Commentary

With GBP/EUR bouncing back from its lows last month, our MTM in EUR terms reclaimed some of December's losses. But GBP remains very weak compared to the beginning of December so we would still expect to see some upward adjustment to UK list prices – indeed there is a hint of it already – which will help us to regain more of the lost ground.

One way of avoiding these fluctuations would be to base our valuations on the ex chateau EUR prices quoted by Bordeaux negociants (some would even argue that this was reasonable since so much of our portfolio was indeed purchased ex chateau). These prices have not moved so on that basis we might even have shown a profit throughout last year! Unfortunately that approach is straight out of the Bernie Madoff manual of fund management – sucking in new investors with an illusion of profitability and drawing incentive fees on fictitious performance all ending in a suspension and probably some very nasty law suits!

The chateaux and negociants have up to now kept their headline prices static. This is understandable as it creates an impression of stability but nothing has actually been transacted at these levels for a considerable time. In many cases, deals are being discretely agreed at market levels – i.e. at very large discounts to the headline prices; and in others, the chateaux are happy to sell nothing and simply wait for better times. Headline ex-chateau prices may not have come down but no-one in Bordeaux is under any illusion about what has happened. With actual transactions – both ex chateau and secondary market – going through at much lower levels only a fool or a fraudster would argue that the value of fine wines has not fallen.

Indeed the market is ticking over quite steadily and Chinese New Year brought some good demand. There is still uncertainty and caution but the market is really operating very well, albeit with somewhat reduced volumes. Any claim that the whole fine wine market has ceased up or has stopped trading is simply untrue. Perhaps for that fool or fraudster, in his state of suspended reality, it may seem that way; but for those of us in the real world the harsh fact is that prices have dropped but business continues and we are stabilising at these new levels.

Activity over the next few months will hold the key to whether we have now turned the corner: a return of core European and UK buyers to join the US and Chinese demand would be very welcome. Perhaps a well priced en primeur vintage would be just the thing to rekindle their thirst and bring them back to the market?

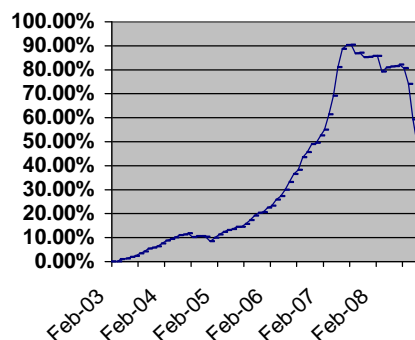
Portfolio Breakdown - % NAV

	Up to 1990	1991 – 1999	2000 and later
Cash: 1.6%			
First growths	12.6%	23.2%	32.3%
Other Bordeaux	4.6%	8.1%	16.6%
Other	0.0%	0.7%	0.1%
Wine: 98.4%	17.3%	32.1%	49.0%

January 2009

ORDINARY SHARES

Price (€):	129.19
P&L on month:	4.61%
Year to date:	4.61%
Since inception:	29.19%
Leverage:	0.00%



Investment Manager

OWC Asset Management Limited
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Scarborough, UK
FSA reference number: 211721

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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: Fastnet (Ireland) Ltd

ISIN: KYG9368H1103

For Further Information Contact

The Investment Manager (see above)

	2003	2004	2005	2006	2007	2008	2009 (YTD)						
ORD for Year	6.22%	2.12%	11.18%	23.97%	23.97%	-33.37%	4.61%						
ORD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	0.21%	0.01%	-3.60%	1.00%	0.20%	0.11%	0.33%	-0.77%	-3.59%	-8.56%	-6.88%	-16.71%	-33.37%
2009	4.61%												4.61%