

# THE VINTAGE WINE FUND

## Commentary

We are just beginning to get into our stride now with an excellent month behind us, a good one under way and the firm belief that we are only at the start of the recovery process.

With the 2009 campaign starting late and proceeding very slowly, traders have had some time to scrutinise the prevailing prices of younger vintages and reach some conclusions on where the value lies given the general price level of 2009 releases so far. That price level is in the region 20% over the release price of 2005s (though variation is considerable from wine to wine) which in many cases means a level which is higher than the current price of 2005. We have read a lot about how Asian buyers will be participating in en primeur widely this year for the first time. One wonders what they will make of a system where you have to pay more to own an un-bottled wine still in barrel in the chateau and two years away from shipping than one which you can have delivered right now and which has been thoroughly appraised over three years of tastings from bottle. The degree to which this makes sense or otherwise is of course entirely down to the relative qualities of the 2005 and 2009 for a particular wine, but one cannot help wondering if some bemused Asian buyers will simply walk away from a process that they have never embraced in the past and simply buy some fantastic 2005s or 2000s instead.

The anomaly of course disappears if prices for the recent back vintages rise sharply, and that is exactly what is happening at the moment. It is ironic that perhaps the best way to make money out of en primeur in a great vintage is to own older wines and hope that Bordeaux sets release prices extremely high; the wines you own will outperform the young vintage and you can always switch later. Only one problem – you need somebody, somewhere to buy the new vintage at release. Strangely, something about en primeur just makes some people buy it. The illusion is to present en primeur as a one-off opportunity after which the wines will be impossible to find and to make prices merely eye-watering rather than criminal. It got the 2000s sold and it got the 2005s sold and it will probably get the 2009s sold. Even when many wines remain freely available (often near release price) for years after the event, it does not seem to stop the buyers stampeding to buy the next great vintage once again persuaded that this is their only chance. Sometimes buyers proudly point to how much prices have risen since they purchased but fail to notice that prices for other nearby vintages have gone up significantly more.

The correct strategy varies from wine to wine and 2009 is *not* a vintage to ignore – but timing is paramount and patience can be very rewarding.

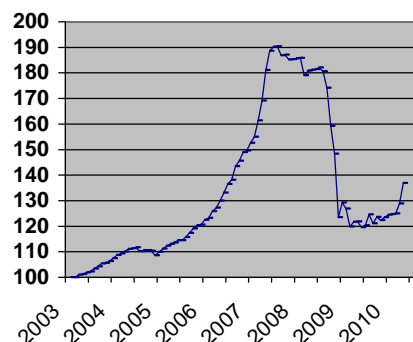
### Portfolio Breakdown - % NAV

	Up to 1990	1991 – 1999	2000 and later
<b>Cash: 2.5%</b>			
First growths	14.8%	22.4%	33.8%
Other Bordeaux	2.4%	4.9%	17.9%
Other	0.0%	1.3%	0.0%
<b>Wine: 97.5%</b>	<b>17.2%</b>	<b>28.7%</b>	<b>51.7%</b>

## May 2010

### ORDINARY SHARES

Price (€):	136.86
P&L on month:	6.24%
Year to date:	10.80%
Since inception:	36.86%
Leverage:	0.00%



### Investment Manager

OWC Asset Management Limited  
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### 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	2010 (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>0.02%</b>	<b>10.80%</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>2009</b>	4.61%	-1.83%	-5.51%	1.53%	0.09%	-1.82%	0.61%	3.57%	-2.81%	2.04%	-0.93%	0.92%	<b>0.02%</b>
<b>2010</b>	0.72%	0.24%	0.18%	3.11%	6.24%								<b>10.80%</b>