

THE VINTAGE WINE FUND

Commentary

November was another extremely tough month in the fine wine market. The wide bid offer has narrowed somewhat but unfortunately in the wrong way – by the offer moving towards the bid. As predicted, we have now seen the list prices of smaller merchants drop considerably reflecting the very cheap levels at which stocks are being made available by sellers keen to convert to cash. This has somewhat forced the hand of the larger players who now appear to be following suit. The benefits of maintaining stability in pricing is being outweighed by the desire to reduce stockholdings and the wish to avoid losing market share.

One positive factor is that the bids have not retreated and indeed more and more buyers are showing their hand and although the levels are not terribly enticing, there is at least a good volume of buying interest on the bid side. That would tend to suggest that even if we are not quite at the bottom yet, we can at least see the bottom.

There is also now steady demand from US importers and although volumes are currently modest, it is an important development which could have a major impact going forward. The demand is very sensitive to the strength of the dollar of course but at current levels it is possible to see growing US demand for some time. Inventory levels of top end Bordeaux are relatively low and collectors look keen to take advantage of the cheapest prices in dollar terms for many years. Wine leaving Europe for the US has effectively left the mainstream European market permanently so these flows are important.

The second half of 2008 is not going to be a time that any wine investor is going to remember fondly, but we should be careful not to overstate what is happening. Yes, prices have fallen sharply as sellers, for their own reasons, became first impatient then desperate and attempted something which is virtually impossible even at the best of times – to sell a lot of wine very quickly. As lower and lower prices started appearing on lists, buyers became cautious – the falling knife syndrome – and demand dropped. But I do not know of anyone who has given up fine wine and those buyers will be back when stability returns and, as mentioned above, that point does now seem to be within sight.

The simple fact is that the wine market is illiquid; it can drop sharply but it can also rise sharply. Those who would argue that prices were just too high before should bear in mind that one wine which has come through this episode virtually unscathed is Lafite Rothschild 1982 – at around 2,000 EUR a bottle.....

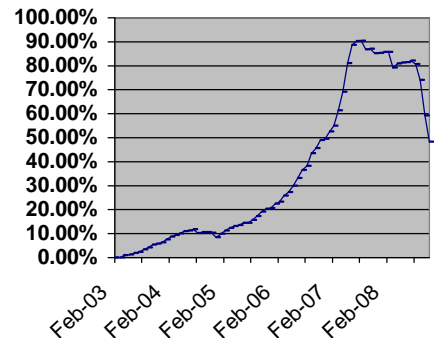
Portfolio Breakdown - % NAV

	Up to 1990	1991 – 1999	2000 and later
Cash: 5.8%			
First growths	11.5%	25.4%	33.0%
Other Bordeaux	4.3%	4.3%	15.0%
Other	0.0%	0.6%	0.0%
Wine: 94.2%	15.8%	30.4%	48.0%

November 2008

ORDINARY SHARES

Price (€):	148.27
P&L on month:	-6.88%
Year to date:	-20.01%
Since inception:	48.27%
Leverage:	0.00%



Investment Manager

OWC Asset Management Limited
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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 (YTD)							
ORD for Year	6.22%	2.12%	11.18%	23.97%	23.97%	-20.01%							
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%	-3.60%	1.00%	0.20%	0.11%	0.33%	-0.77%	-3.59%	-8.56%	-6.88%		-20.01%