OWC Asset Management Limited

THE VINTAGE WINE FUND

Commentary

The virtually unchanged share price of the Fund over the month suggests activity was subdued but the truth is in fact quite the opposite. We have seen very large volumes trading as a result of a rare state of equilibrium in the market: strong demand, predominantly from consumers and collectors, is being met by unusually high supply which is mainly originating from private investors taking profits. What in fact we are witnessing is the remarkably orderly passing of wines which have been held for investment into the hands of end consumers and the fact that this is taking place with virtually no pull back in prices is extremely encouraging. This equilibrium may persist for a little longer but one thing is sure – the supply of wines from investors taking profits will dry up long before consumers stop desiring the world's best wines. Ultimately we will find ourselves in precisely the same set of circumstances which started the bull run in the first place: low levels of stock held for resale (i.e. by merchants and investors) coupled with strong global demand. As that imbalance re-establishes itself, prices will continue their climb upwards.

Our own trading activity has focused on taking full advantage of the buying opportunities that the current conditions present and we continue to maintain an above average cash position which is obviously essential to compete effectively – especially on the larger deals. Most opportunities are in the younger end of the Bordeaux market – mainly first growths from 2000 and younger – and this is where our purchasing has been concentrated. At the same time, we have been taking profits on some vintage Krug and Dom Perignon holdings as prices of these spiked up with the customary seasonal demand. Also, enhanced interest in 2005 Bordeaux (generated by a tasting in London) allowed us to lock in good profits on some second tier wines from that vintage. With purchases and sales roughly equal, our cash position has been maintained.

The outlook is very good – the fact that a meaningful amount of stock has been so effortlessly soaked up by the natural demand and that these wines are now in the process of being drunk – i.e. they are not simply being passed from one investor to another – is a very positive indicator. It is only a matter of time until the market breaks through this resistance point and by making the most of the current buying and switching opportunities we will ensure we are positioned so as to capitalise fully when that happens. A return of confidence to the financial markets would be welcome in all quarters but I think we can say with some certainty that there will be scarier places to be than the wine market over the next few months.

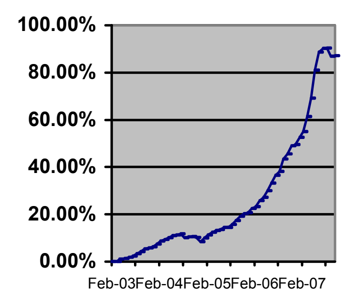
Portfolio Breakdown - % NAV

Cash – 9.5%	Up to 1990	1991 – 1999	2000 and later
First growths	11.2%	23.5%	29.4%
Other Bordeaux	4.7%	4.4%	16.3%
Other	0.0%	0.8%	0.1%
Wine – 90.5%	**15.9%**	**28.7%**	**45.9%**

October 2007

ORDINARY SHARES

Price (€):	187.07
P&L on month:	0.15%
Year to date:	25.12%
Since inception:	87.07%
Leverage:	0.00%



Investment Manager

OWC Asset Management Limited
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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 (YTD)**
ORD for Year	**6.22%**	**2.12%**	**11.18%**	**23.97%**	**25.12%**

ORD	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**YTD**
2006	1.50%	0.69%	2.06%	1.13%	2.15%	2.47%	2.50%	1.22%	3.80%	1.51%	2.31%	0.37%	**23.97%**
2007	2.03%	1.57%	4.13%	4.81%	7.03%	4.20%	0.86%	0.05%	-1.86%	0.15%			**25.12%**