OWC Asset Management Limited

THE VINTAGE WINE FUND

Commentary

The constant trickle of cheap stock being off-loaded by collectors and investors gathered pace in October but volumes were still very modest. In their desperation to convert to cash, the sellers have succeeded in doing nothing more that frightening the living daylights out of any potential trade purchaser. By showing a willingness to accept lower and lower prices they have, far from getting more volume done, merely encouraged nearly every buyer to pull bids entirely.

So much for the bid side; what of the offer? The bigger merchants are keenly aware of the effect that slashing prices has on the end consumer and the big psychological difference between a healthy discount and a fire sale. Whilst all wine enthusiasts will currently be expecting attractive deals, few are encouraged to buy if what they are being offered looks like something that someone else is desperate to get rid of. There are much more complicated dynamics in luxury goods markets than a simple inverse relationship between price and demand. Consequently merchants are not slashing their headline sell prices but have brought them down a significant step and trade is continuing albeit more slowly.

It is quite possible that if the sellers had simply let the merchants place their stocks slowly and steadily (on the usual broking commission basis) they would now be getting rather more money for their wines. However, patience can hardly be expected in the current climate and so they demanded cash bids at a time when merchants were, even more than usual, reluctant to take on large stock positions. It is not surprising that as a mood of desperation took hold, the few buyers still willing to quote realized that they could drop their bids by a very large amount and still someone needing the cash would sell.

So what we have is a relatively thin market with a very wide bid-offer spread. What happens from here clearly depends on how much more stock there still is to emerge and how global demand evolves. There is a significant possibility that some smaller merchants who came into this rocky patch with already high stock positions start behaving in a similar manner as the amateurs. On the other hand, one welcome sign is the cautious return of US purchasers with their resurgent dollars. Also there is now no doubt that some heavyweight buyers are just beginning to think about the right level to start wading in. So, further weakness unfortunately looks likely in the immediate future but there are good reasons to expect the quick and full recovery, which has characterized every fine wine market sell-off in the past, to commence before too long.

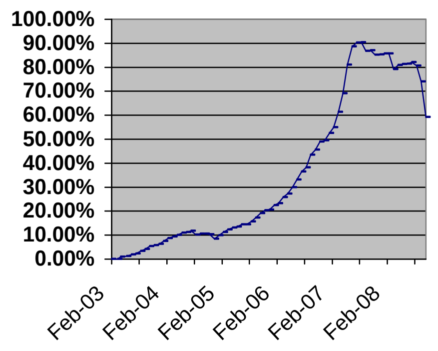
Portfolio Breakdown - % NAV

	Up to 1990	1991 – 1999	2000 and later
Cash: 0.8%			
First growths	12.0%	27.0%	31.9%
Other Bordeaux	4.5%	5.0%	18.1%
Other	0.0%	0.6%	0.1%
Wine: 99.2%	**16.5%**	**32.6%**	**50.1%**

October 2008

ORDINARY SHARES

Price (€):	159.22
P&L on month:	-8.56%
Year to date:	-14.10%
Since inception:	59.22%
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: 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%**	**-14.10%**

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%			**-14.10%**