

OWC Asset Management Limited

# THE VINTAGE WINE FUND

## Commentary

September was a very busy and extremely successful month for the Fund. As the market returned to full speed after the summer lull, we needed to take care in our approach to buying. The objective was to strike the right balance between our desire to get a significant amount of cash invested reasonably quickly with the need to avoid pushing the market against us by adding prematurely to the ever present upward pressure on prices coming from increased global consumption.

We therefore reduced purchasing activities (particularly smaller trades which virtually ceased) in the London market; here, any increased demand tends to be rapidly reflected in price moves which are then observed and acted upon by the rest of the market, and in particular the Bordeaux chateaux and negociants. At the same time as easing off our purchasing in London – easily implemented by suspending our dealing screen - we entered final negotiations on several very large deals in Bordeaux. Whether this decision not to add to the buying pressure in London helped us to a satisfactory conclusion to these major purchases is impossible to say, but it certainly did us no harm. The main thing is we were able to agree terms prior to the month's significant price moves. We are now most of the way back to full investment and can afford to take our time searching out the best smaller private deals to complete this process.

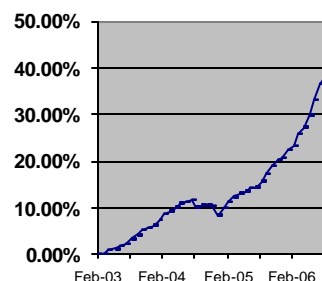
Of those price moves, the largest have been observed amongst some of our core positions – Mouton 1986 (continuing last month's move), Haut Brion 1989, Margaux 1990, Leoville Lascases 1996, Lafite 1998, Cheval Blanc 2000 – to mention only a few of top performers – all jumped in price as stocks at the old price levels simply dried up. The younger wines from 2000 through to 2005 were comparatively steady and so it is not surprising that we concentrated purchasing amongst our targets in those vintages - mainly in 2000 second tier wines and 2003 first growths, but also one or two of the (very few) good values in 2005.

Although the month was mainly about buying, we did accept some very high bids for several of our Burgundy (DRC) positions and (with something of a sigh of relief) disposed of the last of our lower tier Rhone wines – mainly basic Chateaufeuf du Papes. As we enter the final quarter, the portfolio is in great shape – lean and focused on the core holdings but sufficiently diverse to keep volatility low.

**September 2006**

### ORDINARY SHARES

Price (€):	143.42
P&L on month:	3.80%
Year to date:	18.92%
Since inception:	43.42%
Leverage:	0.00%



### Investment Manager

OWC Asset Management Limited  
6<sup>th</sup> Floor 159-173 St John Street  
London EC1V 4QJ  
FSA reference number: 211721

Telephone: +44 (0) 20 7553 4314  
Email: [info@owcam.com](mailto:info@owcam.com)

### Fund Structure

Domicile: Cayman Islands  
Inception: 20<sup>th</sup> 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)

### Portfolio Breakdown - % NAV

Cash – 7.7%	Red still	White still	Other
Bordeaux	86.7%	1.0%	0.0%
Burgundy	0.7%	0.0%	0.0%
Rhone	2.1%	0.0%	0.0%
Rest of France	0.0%	0.0%	1.1%
Italy	0.6%	0.0%	0.0%
Other	0.0%	0.0%	0.0%
<b>Wine – 92.3%</b>	<b>90.1%</b>	<b>1.0%</b>	<b>1.1%</b>

		2003	2004	2005	2006 (YTD)								
<b>ORD for Year</b>		<b>6.22%</b>	<b>2.12%</b>	<b>11.18%</b>	<b>18.92%</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>2005</b>	1.34%	1.16%	1.03%	0.68%	0.34%	0.78%	0.06%	1.08%	1.39%	1.51%	1.06%	0.23%	<b>11.18%</b>
<b>2006</b>	1.50%	0.69%	2.06%	1.13%	2.15%	2.47%	2.50%	1.22%	3.80%				<b>18.92%</b>

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