OWC Asset Management Limited

The Vintage Wine Fund

Commentary

It feels rather strange to be reporting a down month when, at the time of writing, the general market sentiment is extremely positive with demand strong and many wines being sought after with as much enthusiasm as we have seen at any time in the last three years. So why then has the run of thirty two positive months been finally broken?

The answer lies in the events of the first half of the month which were expected and indeed predicted in last month's report. Although some press commentators put an overly sensational gloss on it, what occurred was nothing more than a very natural bit of profit-taking. It should hardly come as a surprise that some private investors felt the impressive gains they had built up over the last few years were worth locking in. This process of passing ownership from one set of long term holders of an asset (with tempting, unrealized gains) to a fresh set of long term holders is something which occurs in any market where investors play a part and is a healthy process which provides a firmer base on which further gains can be built.

Of course, a dip in prices only occurs if the volume of selling outweighs the demand at that particular moment. The volumes we saw coming onto the market early in the month were not significant compared to the overall level of demand but the timing of the sellers could hardly have been worse. The end of summer is as quiet as it gets in the wine market and the financial market uncertainties did mean retailers were slower than usual to start placing orders as we entered September. Merchants therefore bid extremely cautiously and we were more than happy to follow suit and have picked up some great bargains. This cheap stock did feed through to reduced list prices and at the low point the market was down around 5%.

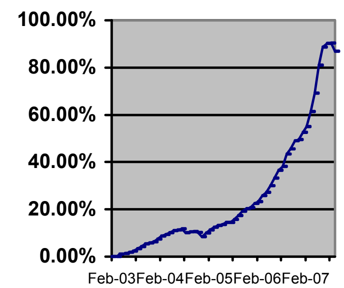
As we entered the second half of the month (and it perhaps dawned on people that the connection between sub-prime mortgages and the drinking habits of the wealthy was weak to say the least) we saw very considerable buying support emerge at these lower levels and as the cheaper stock has been cleared out prices have bounced back. If the sellers had waited a couple of weeks things could have been quite different, but it has in fact been a very useful consolidation and we are now well on the way to recovering the lost ground. Were it not for the short term negative impact on our valuations of weak sterling and Swiss Franc versus the Euro, the monthly return would have been somewhat better. But whether it is simply by exchange rates retracing or by the stronger Euro gradually filtering through to higher list prices from the British and Swiss members of the Valuation Panel, this effect is essentially temporary.

Portfolio Breakdown - % NAV

Cash – 7.8%	Up to 1990	1991 – 1999	2000 and later
First growths	11.6%	23.8%	29.9%
Other Bordeaux	4.8%	4.6%	16.1%
Other	0.2%	1.0%	0.2%
Wine – 92.2%	**16.6%**	**29.3%**	**46.2%**

September 2007

ORDINARY SHARES	
Price (€):	186.80
P&L on month:	-1.86%
Year to date:	24.94%
Since inception:	86.80%
Leverage:	0.00%



Investment Manager

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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%**	**24.94%**

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%				**24.94%**