



# Fine Wine Fund PCC Ltd Monthly Manager's Report

Issue 3

28 August 2007

## Fund Overview

This is a wine investment Fund that aims to achieve above average investment returns over the medium to long term. Medium term is defined as 3 - 5 years.

The Fund will trade in a diverse portfolio of fine and rare Bordeaux wines. The Managers will seek to strike a balance of holding stock long term and taking gains for re-investment / additional diversification. The Managers unrivalled network of specific buying opportunities will be identified for the benefit of the Fund.

## Market Commentary

The main feature since our last report has been the volatility present in the equity and interest rate markets.

There are various factors affecting the value and pricing of wine, however, these are in no way connected to those creating the havoc we have seen in the markets in recent weeks. Wine as an investment is a non-correlated asset class and as such, performance variations do not follow other investment markets. During the past weeks of market volatility, the wine market has demonstrated a contrasting stability and consistency.

Generally, trading has continued extending beyond the 2006 En Primeur that has so dominated the market since May. Trading has broadened into other vintages from the upper end of the market for fine Bordeaux wine. A result of the high prices for the 2005 and 2006 vintages is the ripple effect on the prices of other older vintages in terms of driving them up.

The continued robust trading is a significant indicator of both the attractions of wine as an investment but also the level of liquidity worldwide chasing the highly rated stock. This demand shows no current signs of abating with the strength of demand worldwide and the historic stability wine values have demonstrated.

The continuing challenge for the Managers is the increasing difficulty of sourcing older vintages, which still represent good value with the added requirement of further potential growth in value. As each new vintage raises the bar on pricing and expectations. This will then generally haul the older vintages along on the upward trend of pricing.

## Performance

NAV  
**+1.19**  
10.07.2007 - 10.08.2007  
**+ 3.48%**  
Year to date  
**+19.00%**  
Corrected performance as of 10.12.07

## Investment Rationale

The Managers have continued a policy of diversifying in line with the criteria iterated in the July Managers Report.

A continuing theme is to ensure that exposure to any single criteria of investment is diluted with appropriate and judicious purchases.

The emphasis and focus of the Managers remains on the key and highly rated wines of the known, respected and well scored Chateaux and their wines.

Within these are a number of vintages which the Specialist Wine Advisor considers undervalued with the current rise in prices and these will be his focus for the current inflow of monies to the fund. Parcels of such wines will be carefully sourced and then recommended for the Fund as the belief is that the values will increase significantly over the next 5 years plus, providing a good foundation for future growth.

The objective of the Managers is to hold long term and not be a regular trader, other than to purchase as new monies flow in. When appropriate, profits will be taken to create liquidity and allow other opportunities to be accessed.

## Contact

Specialist Wine Advisor	Vinum Fund Managers
Managing Co	AOS Fund Services Limited
Website	www.vinumfinewinefund.com
Telephone	+44 (0) 1732 455931
Admin Tel	+44 (0) 1481 711822
Address	2 The Mews, 16 Holly Bush Lane, Sevenoaks, Kent TN13 3TH
Custodian	Butterfield Bank (Guernsey) Ltd
Legal Advisors	Collas Day
Auditors	BDO Novus (Guernsey)
Identifiers	SEDOL B1W6L98 ISIN GG00B1W6L987

## Fees and Expenses

Front Load	5%
Withdrawal	potentially subject up to 3 months notice
Management Fee	1.5%
Performance Fee	20% of growth subject to hurdle rate
Hurdle	Euribor
Min investment	£10,000
Min addition	£5,000