

Welcome,

## 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 reinvestment / additional diversification. The Managers unrivalled network of specific buying opportunities will be identified for the benefit of the Fund.

## Market commentary

“You have to learn the rules of the game. And then you have to play better than anyone else.” *Albert Einstein - 2008 has seen a completely new set of rules!*

The past month of November has been a tough one for all markets, including the wine market due to the worsening global economic crisis. This crisis has really been the feature of 2008 and has overshadowed any good news.

The Fund has recorded another small fall in value during November, falling by a little over 2%. This follows a fall of 1.55% for October.

The Liv-ex indices have recorded falls at greater rates than the Fund over the same period. This is due to the indices being driven by the wines traded on the exchange. Generally this tends to be the younger vintages and therefore is skewed towards the values of these. The Fund however, has a very wide range of vintages and significant holdings in the best of the older vintages. This reduces the volatility within the fund as does the spread of Chateaux for these great vintages.

These falls should be taken in context of the overall investment markets for both wine and other asset classes. We have long espoused the principle that wine is a more stable asset class and will not succumb to similar wild swings seen with equities and many other asset classes. We have also maintained that it is non-correlated to other asset classes, something we continue with. The fall in wine values has been a result, not of correlation, but of one of the major attractions of wine as an asset to invest in – it can be sold very easily. Subject to price, there is always a demand from buyers for wine if you will accept the price offered.

Many who invest in wine hold other investments, and use these to raise funds for further investments. As the value of these other assets fall, there is a need to raise cash to cover their financial exposure. Wine is the easiest and quickest route for many to raise cash and therefore this will have the effect of reducing values of wine as more is traded to raise much needed cash.

The frequently discussed benefits of wine investment still hold true – finite production with a diminishing supply. Once in the bottle this leads to demand driving price rises for the great and well scored wines.

On a positive note, the flows of new money are growing and this offers the Specialist Wine Advisor opportunities to make some excellent and very competitive purchases for the Fund over the coming months before prices begin to rise again.

The performance this calendar year has been disappointing at -3.13%, however, the growth since inception has been 24% and the average annual growth rate is 15.08%.

The fund is very well placed to resume upward growth when the economic climate turns with both attractive purchases and the current holdings.

## Investment rationale

In the first month the Managers invested a little over £2 million and this has been spread as follows:

- 22 different Chateaux
- 34 different Vintages from 1870-2004
- All first growths represented
- 8 different Communes from the Medoc to Pomerol & St Emilion

The largest exposure to one chateau in vintages is 13. The single largest financial stake in one Chateau represents £225,000 spread across the 13 vintages.

We have taken a strategic stake in wines where we can perceive both demand and shortage of stock. This will ensure that gains can be taken from the holdings.

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. Where appropriate, profits will be taken to create liquidity and allow other opportunities to be accessed.

## Contact

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