

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

**“The greatest accomplishment is not in never falling, but in rising again after you fall..”**

*Vince Lombardi*

The Fund has seen an appreciable dip in performance over recent months' which is very disappointing. This is more to do with a run on the Fund with an extraordinarily high level of redemptions. We are not aware of the reasons for this and given the performance of the Fund during its first 20 months coupled with its resilience during the economic crisis, we find this level of redemptions baffling.

A major issue for the Fund is the volume of redemptions during a period where commercial activity in the wine market for older vintages and wine generally is predictably quiet. These two periods are the En Primeur Campaign to launch the latest vintage from Bordeaux, immediately followed by the quiet summer period.

The need to realise monies to meet redemptions has meant that the value of the Fund and the prices obtained for sales have been depressed as we have been selling in a forced market condition.

This is obviously very disappointing as wine is a very good investment and values have reached the bottom of the market cycle and are showing limited signs of recovery. A small handful of wines are demonstrating significant returns, however, these are wines that have a specific appeal in certain markets. This performance can distort the performance of wines generally and should not be construed to represent the market as a whole.

What of the future? The managers remain confident of the longer term – 3 to 5 year – performance potential for wine investment and have seen excellent investment returns in previous years and periods. We remain committed to the Fund and will be working to generate positive performance for investors. The current valuation is a fair position to ensure parity between those redeeming and those remaining invested.

For those who remain invested, we confidently expect to return to positive growth towards the end of this year and to see a significant growth in share price during 2010. Our strongest recommendation is to remain invested and look to the recommended investment period of 3 – 5 years plus.

Additional supporting content will be available on the web site later this week.

## Investment rationale

The current investment incorporate holdings of wine from:

- 23 different Chateaux
- 35 different Vintages from 1870-2006
- 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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