

Fine Wine PCC Limited - Bordeaux Fund

Investor Report November 2013

Key Highlights

- The NAV of the fund was down 1.2% for the month versus Liv-ex 100 (-2.5%) and Liv-ex Investables (-2.1%). The underlying portfolio was down 0.5%;
- The market was again dominated by unfavourable exchange rate movements and a supply overhang from Nobles Crus. This latter situation may be resolved early in the New Year which could act as a turning point for the market which is currently well below their trend line;
- Latour was the strongest performer among the left bank first growths and Cheval Blanc on the right bank, although in general there was a clear preference for more mature vintages where the Bordeaux Fund is focussed;
- The Fund is now officially renamed as the Fine Wine PCC Limited – Bordeaux Fund, reflecting its status as no longer being geared. A new Information Memorandum is available from the Promoter upon request and a dedicated website is available at www.finewinepcc.com.

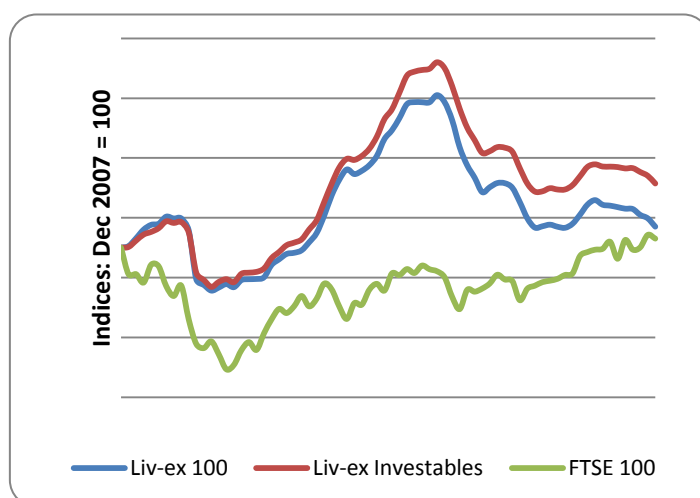
Performance History

Fine Wine PCC	1 Month	3 Months	6 Months	12 Months	Inception
Performance	(1.18%)	(4.18%)	(6.27%)	(4.61%)	(58.02%)

Source: CISX

Current fine wine market situation

Both the main fine wine indices, the Liv-ex 100 and the Liv-ex Investables, fell in November, by 2.5% and 2.1% respectively.



Source: Anpero Capital Limited

December 2013

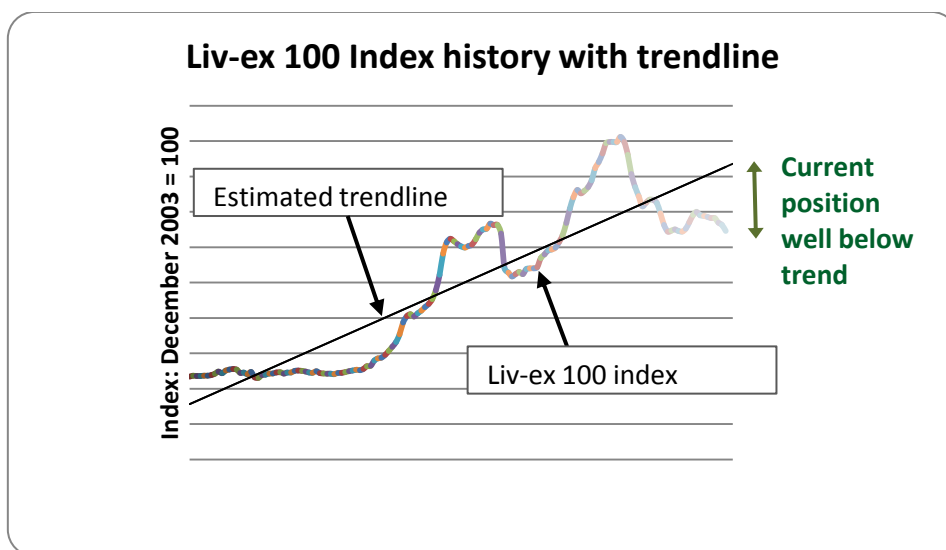
The main driving factors were the same as in previous months, i.e. unfavourable exchange rate movements and a supply overhang as the fate of troubled wine fund Nobles Crus remains uncertain.

Looking at exchange rates first, November saw another significant strengthening of sterling against all the currencies most relevant for the wine market. Sterling rose by 2% against the US dollar and the Chinese renminbi, 3% against the euro and by no less than 6% against the Japanese yen. As we have set out before, a rising pound makes wine priced at a fixed amount in sterling (as the indices are) more expensive to an overseas buyer, leading to a fall in demand and hence price. Furthermore, if the pound also appreciates against the euro, the alternative sources of stock in Bordeaux become relatively cheaper to a buyer in a third country (e.g. Asia). Some demand may therefore divert to Bordeaux and again prices in the UK can fall.

As the majority of demand derives from abroad these movements are important factors and could plausibly explain November's index falls in their own right.

Within the fine wine market concern remains about the Luxembourg-listed wine fund Nobles Crus. Nobles Crus was suspended in May 2013 following concerns about its valuation and an inability to meet redemptions. Since then the fund has been attempting to dispose of some or all of its portfolio. This is widely spread across different regions and vintages (and therefore should not have a major direct effect on the prices of wines in our own fund), but is relatively large for the sector - perhaps £50-60 million on a realistic valuation. Therefore until it has been sold it is a cause of concern for all participants.

While this has been hanging over the market for some months, recent (although not official) information suggests that the situation will be resolved early in the New Year. If correct this could indicate a turning point in the market. With prices currently well below trend (see below) there would then be potential for some healthy increases in the remainder of 2014 and beyond.



Source: Anpero Capital Limited

The demand side of the market remains healthy and stable. There was a noticeable boost around the middle of November with orders in advance of the Chinese New Year (which takes place on 31 January 2014) and the western Christmas / New Year period. This may continue into early December, but the second half of the month is likely to be, as usual, quiet, as the trade takes its own seasonal break.

December 2013

Within the market there was a relatively wide divergence between the performance of different châteaux. Amongst the first growths Latour was the strongest, falling only by around 0.5% on average across a range of vintages. Mouton fell by 1.5%, Margaux 2%, and Lafite and Haut Brion around 2.5%. On the right bank Cheval Blanc was approximately flat, while Pétrus fell but by only around 1.5%. Some wines from elsewhere in the classification performed strongly – notably Lynch Bages, which was around 2% up on average.

Perhaps of more interest this month however was the differences between vintages, where there was a clear preference for more mature wines. Thus, for example, 1990, 1995, 1998, 2000 and 2003 all performed noticeably better than the indices, while 2005 and vintages from 2009 and younger underperformed. A likely explanation is that at this time of year buying is more driven by consumption (rather than investment), and of course more mature wines have a greater attraction for those looking to open and drink fine Bordeaux.

This in turn drives the dynamic of diminishing supply, and explains why we have a preference for older vintages. In fact the PCC fund holds no wines from 2005, 2009 or younger, which explains the portfolio's significant outperformance in November.

There were a number of large auctions around the world, from which the headlines were taken by a very small number of high value lots of Burgundies (e.g. a full case of Domaine de la Romanée-Conti, Romanée-Conti 1978 which fetched around £290,000, a record for the Domaine). However the bulk of most auctions remains focussed on Bordeaux, where demand was also solid – reflecting the wider market. Prices were generally in line with expectations. Interestingly Sotheby's commented on the reappearance of American buyers after a long period of dormancy: following a sale in New York they said that "Our November auction heralded the return of the American market with North and South America accounting for 14 out of the top 20 buyers including the top buyer of the sale".

November saw mixed economic news, with growth slowing in Japan, Germany and France but an improving position in the UK. The Japanese authorities reconfirmed a commitment to a loose monetary policy to ensure that the economy does not return to deflation: this news should support higher growth and more rapidly rising prices, both of which should be positive for wine prices in the future.

December 2013

Portfolio performance

On a like-for-like basis the portfolio fell by 0.5% in November, significantly outperforming the main indices – to repeat, this is because of the emphasis on more mature wines which performed much more strongly than young wines. The portfolio continues to outperform the index year to date, year-on-year and since inception/fully invested. Sales last month amounted to £126,531.50. They were executed on average 2.8% above their valuation prices at end-October and 5.1% above what the valuations would have been if the wines had remained in the portfolio at end-November.

Fine Wine Portfolio at 29th November 2013

Chateau	Purchase price	Valuation price	Asset Allocation %
Ausone	£121,082.79	£100,111.50	4.71%
Beychevelle	£1,413.37	£1,980.00	0.09%
Cheval Blanc	£303,719.85	£259,563.50	11.27%
Cos d'Estournel	£14,707.13	£23,960.00	1.13%
Ducru Beaucaillou	£18,958.29	£29,700.00	1.40%
Evangile	£3,300.00	£4,300.00	0.20%
LaFleur	£81,603.48	£69,104.00	3.25%
Gruaud Larose	£17,514.42	£22,059.00	1.04%
Grand Puy Lacoste	£29,643.11	£38,918.00	1.83%
Haut Brion	£128,223.68	£146,549.00	6.89%
Lafite Rothschild	£165,091.55	£226,726.00	10.67%
Leoville Las Cases	£40,605.73	£46,997.00	2.21%
Leoville Poyferre	£16,240.69	£23,667.00	1.11%
Latour	£128,455.13	£131,961.00	6.21%
Lynch Bages	£40,725.06	£60,300.00	2.84%
Mission Haut Brion	£13,001.02	£17,582.00	0.83%
Montrose	£1,200.00	£1,195.00	0.06%
Mouton Rothschild	£124,346.91	£203,192.50	9.56%
Margaux	£440,106.09	£412,096.50	19.39%
Pontet Canet	£22,520.68	£43,968.00	2.07%
Petrus	£35,900.00	£44,100.00	2.07%
Pichon Lalande	£67,568.99	£101,990.00	4.80%
Palmer	£13,248.70	£17,127.00	0.81%
Troplong Mondot	£15,539.13	£19,842.00	0.93%
Yquem	£111,013.07	£98,707.00	4.64%
Total	£1,955,728.87	£2,125,696.00	100.00%

Source: JTC (Guernsey) Ltd.

December 2013

Key Fund Facts

NAV 29 th November 2013	41.98p
Fund size (NAV)	£2,214,267
Launch date	31 st March 2008
Launch price	100.00p
Dealing Dates	Monthly
Min. Subscription	£20,000
Listing	Channel Islands Stock Exchange ("CISX") Mnemonic: CFWC
Price published	Financial Times, Reuters & Bloomberg
SEDOL	B298TH8
ISIN	GG00B298TH81
Bloomberg Ticker	FINWIGG GU
Custodian	Butterfield Bank (Guernsey) Limited
Administrator	JTC (Guernsey) Limited
Wine Adviser	Anpero Capital Limited

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Important Information

This Investor Report should be read in conjunction with, and in the context of, the Information Memorandum of the Fine Wine PCC Limited Bordeaux Fund cell (the "Scheme") which has been prepared to comply with the terms of Rule 10.01 of The Collective Investment Schemes (Class B) Rules 1990 (the "Class B Rules") as issued by the Guernsey Financial Services Commission (the Commission") pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (the "Law"). The Scheme has been authorised by the Commission as a Class B Scheme under the Law. In giving this authorisation the Commission does not vouch for the financial soundness of the Scheme or for the correctness of any statements made or opinions expressed with regard to it. Investors in the Scheme are not eligible for payment of any compensation under the Collective Investment Schemes (Compensation of Investors) Rules 1988 made under the Law. Stratton Street Capital (CI) Limited does not guarantee the accuracy, adequacy or completeness of the information contained herein and is not responsible for any omissions or for the results obtained from such information. Expressions of opinion herein are subject to change without notice. These materials do not constitute an offer to sell or solicitation of an offer to buy shares in the Scheme. The Scheme referred to in this Investor Report constitutes an "unregulated collective investment scheme" for the purposes of the restriction on the promotion of unregulated schemes under section 238 of the UK FSMA and, accordingly, the Scheme cannot be marketed in the UK to the general public. Past performance is no guide to future performance and the value of the shares in the funds may go down as well as up.

Fine Wine PCC Limited is an open-ended investment company incorporated in Guernsey with registration number 47976 on 1st November 2007. It is established as a protected cell company and is governed by the provisions of The Companies (Guernsey) Law, 2008, as amended (the "Companies Law"). It has been authorised by the Commission as a Class B Scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

December 2013