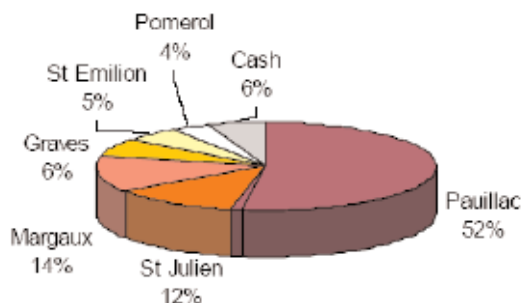


FINANCIAL FIX: FINE WINE FUND

The Fine Wine Fund by appellation



Source: Fine Wine Fund

Focus: Opportunity to invest in the Top 40 Chateaux of Bordeaux (only investment grade vintages)

Strength: Fine wine expertise; stock picking; portfolio composition

Weakness: size of underlying wine market, ideally suited to long term investors

Opportunity: so far the wine market has been dominated by the presence of wine merchants and individuals – there is scope for professional fund managers

Threat: Competition from other wine funds

Risk Assessment

□ = low □ = low/moderate □ = moderate □ = moderate to high ■ = high

- Ability to identify wines that will appreciate □ □ □ □ □
- Ability to secure those wines □ □ □ □ □
- Wine consultant: Steven Spurrier, one of UK's pre-eminent wine critiques □ □ □ □ □
- Established network: □ □ □ □ □
- Risk that wine in cellar falls out of favour: virtually none □ □ □ □ □
- Existence of a secondary market for fund's wines □ □ □ □ □
- Ability to recover risk premium paid plus lock in profit for wines in stock □ □ □ □ □
- Average yearly turnover of wine stock: below 10% □ □ □ □ □
- Wine hedge fund competition – moderate □ □ □ □ □
- Storage related risk □ □ □ □ □
- Currency risk □ □ □ □ □
- Key man risk □ □ □ □ □

Performance Parameters

■ = insufficient ■ = adequate ■ = satisfactory ■ = good ■ = outstanding

- Avg. no. of wines that back the fund at any given time: 75 stocks in the portfolio
- Expertise in constructing wine fund portfolio = ■ ■ ■ ■ ■ (eg. research led choice to be over weight in '86s)
- Diversification achieved by wines: Geographic: ■
- By vintage; 13 vintages: ■ ■ ■ ■ ■
- By brand/mark – 20 different brands: ■ ■ ■ ■ ■
- Ability to identify opportunities: ■ ■ ■ ■ ■ value in a quarter) ■ ■ ■ ■ ■
- Ability to put cash to work: ■ ■ ■ ■ ■
- Ability to deliver uncorrelated (to the major asset classes) returns Equity: ■ ■ ■ ■ ■
- Bonds: ■ ■ ■ ■ ■
- Gold: ■ ■ ■ ■ ■
- Ability to deliver targeted returns in: A rising = ■ ■ ■ ■ ■
- Falling = ■ ■ ■ ■ ■
- sideway trending markets = ■ ■ ■ ■ ■
- Suitability to: inclusion in a conservative portfolio: ■ ■ ■ ■ ■
- inclusion in a balanced portfolio: ■ ■ ■ ■ ■
- inclusion in an aggressive portfolio: ■ ■ ■ ■ ■

Outlook

- Fund's outlook on investing in the space: upside potential
- Fund's ability to deliver targeted annualised returns 14% over 5+ year period: good
- Barriers to entry: expertise in selecting wine + structuring wine portfolios + financial management skills-market discipline
- Do wine investments display cyclical behaviour In their segments, prices consistently appreciate with time
- Conditions needed for the fund to outperform: bull market
- Conditions needed for the fund to under perform: recession
- Max AUM. current manageable capacity GBP50m

Investment Insights

- Target audience: high net worth individuals
- Level of fund's complexity: low
- Fund offers: long term capital growth
- To optimise returns, recommended avg. holding period = 5+years
- Available to investors: globally
- Base currency of the fund: GBP

- Liquidity provided: quarterly redemptions and a penalty fee applicable for redemptions (in first year 10%, second year 5%) in the first two years
- Transparency of portfolio provided: fairly high
- Registered with: FSA
- Fees = 2% -15% (high water mark)
- Tax benefits accruable to: UK individual
- Risk/reward compensation: satisfactory