



**Author**  
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**Everybody should have a case of fine wine in their investment portfolio!** With financial products such as ISA's, shares and bonds delivering modest returns at best, the proactive investor has to look beyond equities to enhance portfolio performance. In fact, my personal experience of investing in fine wine led me to found Vin-X for exactly that reason.

The appeal of an investment track record delivering average annual compound returns of more than 12 per cent p.a. has attracted many investors to fine wine. A stable, non-volatile asset whose performance does not correlate directly with the movements of financial markets, fine wine generally outperforms equity-based investments. The inherent value of fine wine offers the opportunity to hedge against recession, inflation, currency devaluation and movements in financial markets.

Whether you are a seasoned wine investor or new to the market, the following essential tips should be considered when investing in fine wine. For further information speak to a Vin-X Portfolio Manager.

## 1 Focus on wines with the strongest secondary market



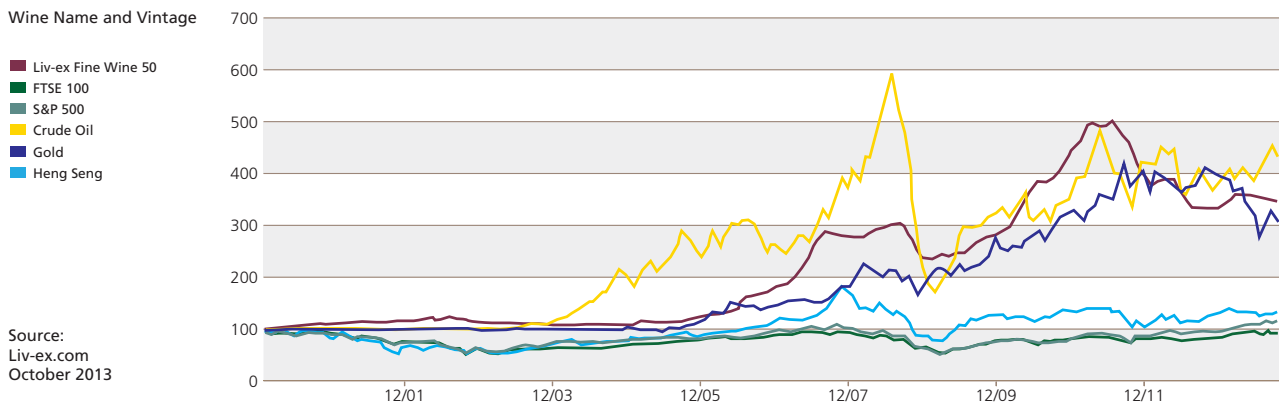
The Bordeaux Grand Cru Classés continue to be the most actively traded wines and until recently accounted for over 90% of market share. In particular the First Growth wines with production levels of approximately 15,000 cases per annum each, offer the right balance of sufficient access and limited supply. Certain vintages also drive demand, for example wines from the exceptional 2009 and 2010 years continue to attract investor attention.

The market has in recent times broadened to include the top wines from Burgundy, Rhône, Champagne, Tuscany, California and Australia with some outstanding prices being achieved. We constantly appraise the market to identify the best opportunities for our clients and if appropriate may diversify their portfolios into wine from these regions.

## 2 Employ fine wine as a diversification tool

Fine Wine is recognised as an asset offering portfolio diversification potential to investors. Its track record of outperforming global equities in investment returns, non-correlation to the movement of financial markets, relative resistance to economic downturns and resultant stability is important to many investors. The World Wealth Report 2012 prepared by Cap Gemini and RBC Wealth Management reported that many high net worth individuals invest considerable sums into alternative assets or collectibles, such as fine wine and view these holdings as an important component of their overall investment strategy.

### Fine wine investment (Liv-ex 50) compared with financial markets, oil and gold



## 3 Invest in wines with a medium to long-term view

We believe that a 3 to 5 year term represents the best period of time to optimise asset value in the medium term and, historically, growth over the longer term can be significant. Investment in fine wine is not a short-term play, albeit there may be very rare and outstanding opportunities to profit.

A study of the performance of fine wine and global equities has shown wine to outperform equities 98% of the time over any 5-year investment period during the evaluation term (December 1999 to December 2004) to (December 2007 to December 2012). Furthermore, the Knight Frank Wealth Report 2013 recorded fine wine as delivering 166% growth over the ten year period under review in the report to Q3 2012.

## 4 Critics and value – acquire wines with a high Parker score

Robert Parker Jr has established his reputation as the pre-eminent wine critic since founding The Wine Advocate in 1978. Whilst there are a number of other critics from around the world who warrant recognition, Parker's system of scoring wines has been universally adopted by the industry and his opinions continue to have a direct effect on price and secondary market demand. When investing in fine wine, it is important to consider Parker's scores.

An example of this influence can be seen when reviewing the Liv-ex Fine Wine 100, the wine market index which represents the price movement of one hundred of the most sought after fine wines for which there is a strong secondary market. All wines listed on the Liv-ex 100 have been awarded scores of RP95+ (out of 100). The extremely rare wines that are awarded the perfect 100 point score can increase significantly in value as they become some of the most sought after wines in the market.

## 5 Invest in wines that offer value and growth potential

When appraising fine wine as an investment we aim to identify those wines that offer both value and growth potential through qualitative and quantitative analysis. Vin-X has a track record in achieving this with our selection strategy resulting in the aggregate Vin-X client portfolio beating the market trend (Liv-ex 100, Liv-ex 50 and Liv-ex Investables indices) in 2011 and 2012.

As an indicator an investor can review the following factors to determine the best opportunities available at any time:

- compare prices across a range of vintages for a particular chateau alongside their attributed Parker Score;
- the vintage quality score to help identify wines that look undervalued; market availability of target wines;
- the recommended drinking window, which will indicate when there is likely to be an increase in consumption and corresponding reduction of supply, and future potential for improvement in the quality of the wine.

### 6 Ensure your wine's provenance and tax efficiency by storing your wines in bond with a reputable provider

The storage arrangements for your wine are a key priority. The advantages of storing your wines in bond with an industry specialist are significant. Investment grade wine is packaged by the chateaux in an original wooden case and requires specific storage conditions at certain temperature and humidity to maintain its quality as the wine ages.

The record of storage and movement of the wine from its producer establishes the provenance of the wine and ultimately influences its value. We would always advise that all wine must be insured, and only acquire wines which are still in their original wooden cases, from a reputable source. When buying an allocation of wine en primeur it will still be delivered into bond in the above format.

This will help protect the provenance and future value of the wine and its tax treatment in regards to VAT and Duty by HMRC. A case of wine may be transacted on a number of occasions between suppliers, merchants and consumers without ever leaving the bonded warehouse, thereby protecting provenance and value until consumed.



### 7 Buying En Primeur – understand the pros and cons

Acquiring wine en primeur is the buying of wine allocations whilst the wine is still in barrel. Originally a trade-only facility to allow Bordeaux chateaux to secure cashflow, en primeur allocations were subsequently made available to consumers from the 1960's. As a norm, the physical delivery of the wine will take place two to three years after purchase.

This forward selling of fine wine allocations was more meaningfully adopted by private individuals in the 1980s and investors should be aware of the following benefits and risks:

Benefits	Risks
<ul style="list-style-type: none"><li>• Opportunity to secure supply of rare wines</li><li>• Buy at market entry price which should be lifetime lowest</li><li>• Acquire at earliest opportunity for maximum growth potential</li><li>• Wine delivered direct from chateaux providing provenance integrity and future value</li></ul>	<ul style="list-style-type: none"><li>• Investor exposed to potential failures in the supply chain before physical delivery</li><li>• Wine may not age as expected when scored in barrel and as such may not achieve predicted values when wine goes into bottle with a resultant effect on price at that time (either positive or negative as it may exceed expectation).</li></ul>

En primeur prices in recent years have been increasing, partly as a result of two extraordinary vintages, 2009 and 2010 occurring consecutively. Prices have been slow to come back in line with critics' scores in vintages since and this has potentially had a detrimental effect on the marketing of en primeur campaigns in the few years since the 2010 launch. We continue to monitor en primeur opportunities carefully for our clients.

### 8 Buy at the best price

Liv-ex, the industry's equivalent to the stock exchange, has introduced greater transparency on the wholesale prices of fine wine traded in the market. Given that there can be a variance on prices offered it is important to buy wine from a reputable source, such as Vin-X who pro-actively search for best value for clients. You can of course do your own research as there are a number of websites providing information, but the relationships and access we have in the market generally secures the best price.

### 9 Consult your tax advisor

Fine wine is recognised as being a relatively tax efficient investment due to the classification of wine by H.M Revenue & Customs as a 'Wasting Asset', and thereby exempt from Capital Gains Tax. There are further advantages in regards to the benefits of in bond storage negating the requirement to pay Duty and VAT until such time as the wine is removed from bond. As transactions can occur without the requirement to transfer out of bond these charges may not be triggered at all by an investor.

Further information on the tax implications of an investment in fine wine is available from Vin-X but more importantly we recommend that you speak to your specialist tax advisor.

## 10 Work with a fine wine partner that you can trust – membership of the WIA

Acquiring the best opportunities in the market requires expertise and access to the finest wines. Vin-X has established itself as a market-leading specialist in fine wine investment, and is a regular commentator featuring on BBC Radio 2 and 4, CNBC, Bloomberg and Fox news, in national and trade press including The Independent and Harpers Magazine, and on social media platforms such as The Huffington Post.



Bloomberg

Harpers  
WINE & SPIRIT TRADES REVIEW

THE  
HUFFINGTON  
POST

THE  
INDEPENDENT

Vin-X is also a founding member of the Wine Investment Association (WIA), an organisation which works to protect investors in fine wine. All WIA member companies must have their systems and controls successfully audited to confirm their robustness and the correct treatment of client wines in terms of ownership to attain membership. Once members, the companies must comply with WIA's code of practice and be audited annually to ensure the continued protection of investors and improvement of operating standards within the industry.



## 11 Getting started

The points below offer a quick guide on questions to ask yourself before developing a conversation with an investment specialist:

- What is your budget?
- When will this finance be available to invest?
- How long do you wish to hold for?
- Are you interested in any particular wines?
- What are your investment aims, i.e. do you have a plan for this investment capital?



I hope the above tips and information help you to appreciate the opportunity fine wine presents in terms of enhancing your investment portfolio and that they allow you to enjoy a more meaningful discussion with a wine investment specialist. The Vin-X team would be delighted to assist you with any questions you may have and we look forward to talking to you soon.

Yours truly,

Peter Shakeshaft, CEO, Vin-X Limited

### FOR FURTHER INFORMATION

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