

## Fine Wine Investment Report: Q1 2017

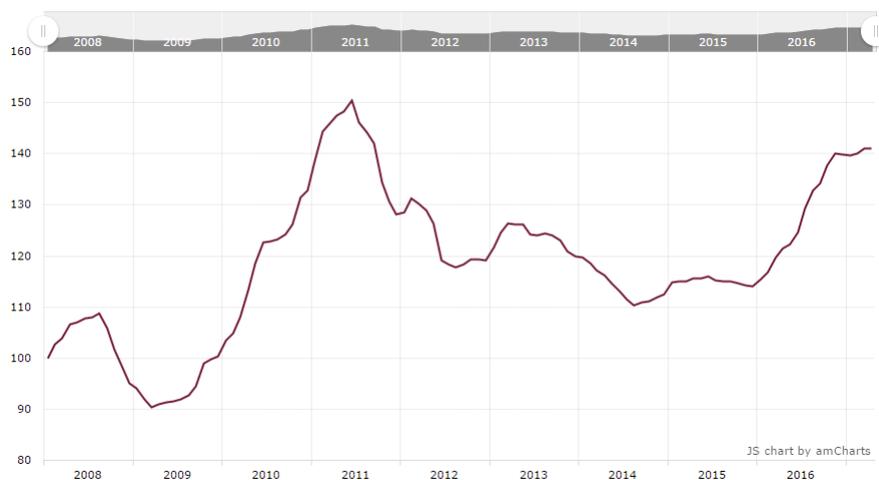
### BI Investment Group, April 2017

- Q1 showed strong turnover, diverse demand and modestly increasing prices
- BI total turnover up over 20% YOY
- LiveTrade Index up just 1% - but turnover of LiveTrade wines up 50% YOY
- Bordeaux sales stable at 55% of total turnover by value
- Average bottle price up to GBP 160
- Asia demand grows but global picture remains very stable
- Lafite continues to lead but Cheval Blanc a star performer

#### Q1 2017 in summary

Q1 2017 was an important period which bridged the rumbustious and surprising success story that was 2016 with the developing high expectations of the Spring En Primeur season. Typically the key quarter of the year for export-orientated merchants, demand associated with Chinese New Year makes it the largest event in the commercial calendar. As such it is a good time to gauge the health of the fine wine market and the signs are overwhelmingly positive with strong turnover, diverse demand and modestly increasing prices. As we will see below, the positivity is reflected in the numbers but at least as important is the sense of confidence that suffuses the market currently and which encourages merchants and consumers alike to both hold stock and take advantage of opportunities.

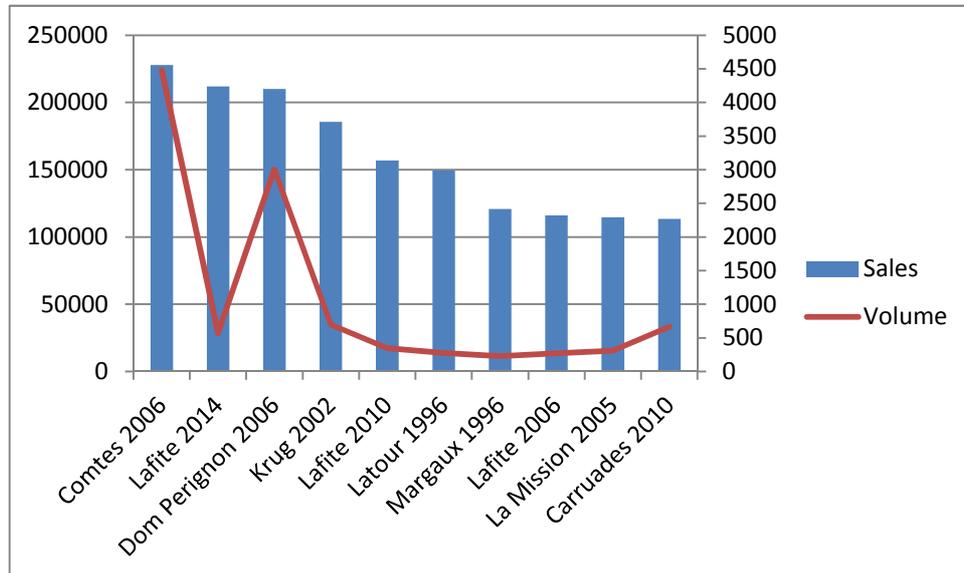
In contrast to a year previous Q1 2017 was a period of limited price increases – the BI LiveTrade Index nudged up just 1% - but very strong activity: led by the LiveTrade wines BI's total turnover stepped up over 20% on the year previous. Indeed the LT component of sales was up over 50% year on year as the better part of GBP9m of sales were recorded through the screen. LT as a percentage of total turnover (aided in no small part by the expansion of the components to over 400 wines with live bid/offer spreads) jumped by 25%.



Typically such a significant step change in the demand profile would be accompanied by some imbalances, with perhaps one region dominating sales, or a qualitative shift in the make-up of sales; but interestingly that was not the case here, although there was a steep up-tick in the average selling price per bottle to over GBP160. The geographic breakdown remains stable with some 55% of sales by value attributable to Bordeaux, followed by 17 for Burgundy and 11% for Champagne. As noted previously, this is a division that speaks to 'real' consumption-led demand. It certainly stands in stark contrast to the 2010-11 speculative surge which saw traded-Bordeaux dominating, and, as such, built up the stock and thus pricing problems that took many years to unwind. Regional sales were also very stable, with a limited notch up in sales to Asia (to a touch over half), indicating that buying confidence is far from just an Eastern phenomenon.

### The Market in more detail

The LiveTrade breakdown by Chateau/producer is somewhat more revealing with another stellar performance from Lafite at over 20% by value. As ever this was a very Asian affair with Far East exports dominating the piste. In contrast Mouton had a thoroughly disappointing showing with just 7% of sales, falling to last position amongst the First growths. Latour was in robust form as prime-vintage trade benefitted directly and indirectly from the ex-Chateau release of the 2005 vintage. That said, the main (and unexpected) Bordeaux success story of the year to date is Cheval Blanc which notched up a record 8% of LT trade, largely on the back of a Parker re-assessment. Demand for Cheval, as for Latour, was very much a UK/European play with limited pick-up in the East. Away from the First Growths Carruades took top honours with an excellent run whilst Pontet, Cos and Las Cases all followed closely behind. Champagne meanwhile continued to trade apace with impressive volumes for Taittinger, Dom Perignon and Krug.



### Backing the right horse...

The run-away success story for Q1 was undoubtedly Cheval Blanc 1998 which leapt 15% (up over 50% year to date) on the back of a revised 100 points from Robert Parker. Again the influence of the Advocate (even in Hedonist Gazette form) cannot be understated and reminds us of how the new Parkerless regime - however thorough and reliable Neal Martin is proving to be - is still relatively unproven. The thirst for Cheval was not limited to just the one vintage as it took top slot with an average appreciation of 5%.

Performing almost as well were some of the LT Champagnes with 5-10% bounces recorded for Bollinger RD 2002 and Cristal 2006 amongst others. At the other end of the spectrum we saw some weakness in the off-vintage First Growths with the likes of Latour/Margaux 2004 and Haut Brion 2006 all slipping back slightly.

### **Grounds for positivity**

Were the mixed performance picture not to have been accompanied by extremely robust turnover there might well be grounds for circumspection. However, given the heady price increases of 2016 it was inevitable that some stock holders would look to realise some profits and sell in to the new price levels. This is an important, indeed healthy state of affairs that will likely take a little while to work through and will likely be made either effortless or challenging by the pricing and enthusiasm for EP 2016. Of which more anon....

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