FINE WINE
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Fine Wine Investment Report: Q3 2016

BI Investment Group, October 2016

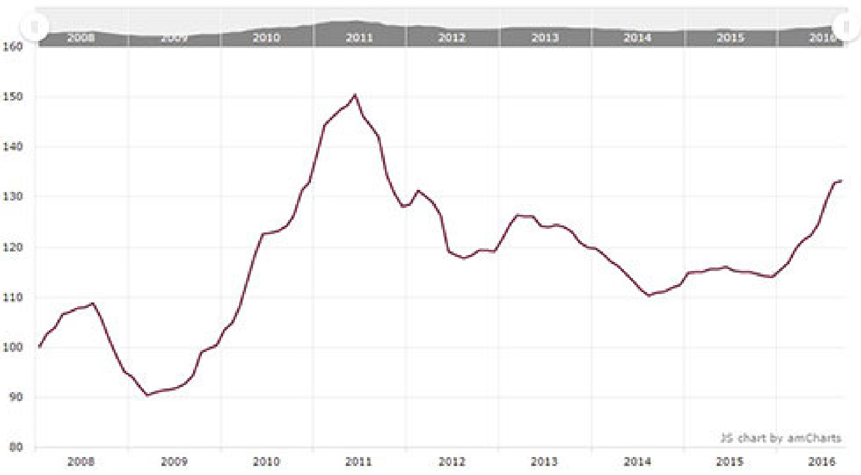
- **Post-Brexit Vote GBP:USD ratios make for very positive sales in dollar-pegged currencies**
- **Q3 shows a slowdown from Q1/Q2 but sales are up 26% on Q3 2015**
- **LiveTrade Index now up over 16% YTD**
- **2005 and 2009 continue to dominate Bordeaux sales**
- **Biggest names continue to lead the way, with Lafite out in Front**

Q3 in summary

Despite the initial outpouring of despair, rejoicing and plain old head-scratching that followed the UK's vote to leave the EU back in June, we seem little closer to any kind of solution to the Brexit conundrum. Certainly the summer recess and long European holiday have created delays; since then we have seen more of what the Fat Controller might call 'confusion and delay'. However in wine terms, the seismic effects of the referendum were felt immediately and the tremors have continued. Regardless of what happens in the back half of the year, 2016 is destined to be looked upon with considerable satisfaction as the key features of a robust En Primeur campaign and rising market prices became increasingly locked in. There is no question that whilst the seeds of market recovery were planted in late 2015 and Brexit provided the 'blossoming' impetus, at 3 months on from this historic referendum the fruits of the market are looking ripe.

In the wake of the Vote

The flood of orders precipitated a drain on stock held within the UK. The LiveTrade Index continued its path from the uncertain pre-vote conditions (which themselves caused GBP weakness) to the 'new now'; it has risen over 16% during the year to date, the highest increase since 2010 when the Asia market exploded following the removal of Duty on wine into HK and the release of the now-legendary 2009 Bordeaux vintage. With interest rates continuing to fall the search for yield is making the appeal of alternative assets all the greater.

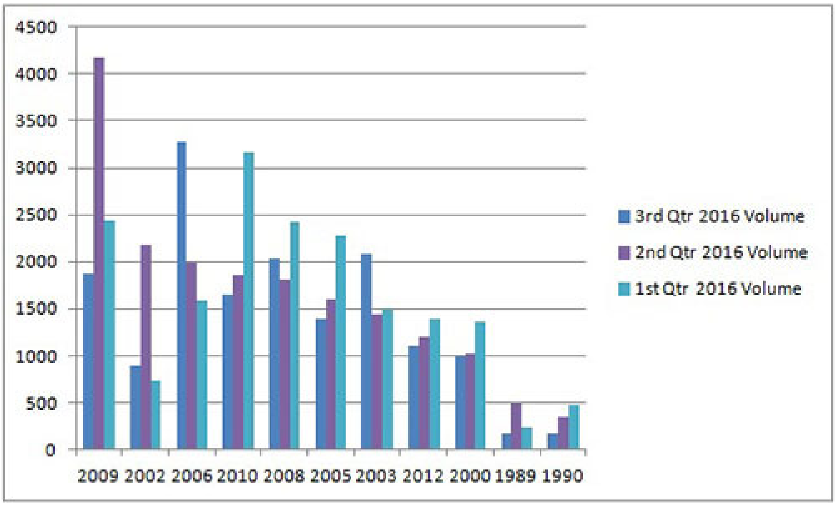


Q3 in more detail

Q3 saw a moderate slow down of sales versus Q2 and Q1 2016, but this is to be expected considering the summer break; however, sales were 26% higher for the same period in 2016 versus 2015, giving great confidence to the wine market and proving that the immediate post-Brexit rush was no flash in the pan but symptomatic of significant global demand simply waiting for the market conditions to be correct. 2009 and 2005 continued on from Q2 as the 'go-to' vintages dominating both value and volume stakes – to be expected given the potentially short-term nature of the currency 'discount' and the relative impact this is having on the most expensive wines. The top 5 estates also remained the same with Lafite, Mouton and Haut Brion taking the top 3 slots. The only change was a reversal for Margaux as the impact of the 'new' 100-point score for the 1996 shoved sales for the estate ahead of Petrus, which was pushed into 5th place. Not a bad scalp to add to the trophy cabinet.

The impact for collectors and investors

As the openly-available stock in the UK market drains into Europe, Asia and the US at these 'temporarily' friendly prices, the search for replacement stock has escalated. This has of course seen prices of UK stock increase – as those of you who have looked at the live valuations in your BI online reserves accounts will no doubt have seen! We have typically taken the view that the 'trophy' vintages of 1989, 1990, 1996, 2000, 2005, 2009 and 2010 have been the smartest places to invest and we have certainly seen excellent performance from the older vintages, alongside a very welcome return to form for the modern legends of '09/'10.



However demand from Asia has come across the board, with the so-called 'sub-prime' vintages making up many of the highest volume performers in both July and August; the largest volume sales were from wines across the 2006, 2008 and 2012 vintages. On the bid side, our trading team have watched the 2007s coming under considerable availability pressure, with the 2004s looking next in line to vanish from the market.