


Lafite, Mouton and older vintages drive fine wine market into pole position for investors in December and January



The countdown has officially begun to Christmas and 2010, and following the upswing in fine wine prices since the Summer, now is the optimum time for you as an investor to think about how best to diversify your investment portfolio for next year. You don't have to be an ardent investor to make what Premier Cru believes to be a significant return in 2010, but you do need an adviser who can advise on the best wines to fill your stockings with and most importantly when to sell out at the best price.

Fine wine was not immune to last year's downturn; however, since the downturn sparked in October 2008, the market for quality wine has enjoyed a rapid turnaround with an average upswing of 12% across the board and leading wines returning in excess of 20%.

While the traditional markets of America and Europe are recovering after being out of the market for the past 18 months, Asia has picked up the slack and is leading the demand for investment quality wines. Returns on wine investing are influenced first and foremost by demand - good vintages attract more buyers and since there is a strictly finite quantity (reducing as the wine is drunk) prices tend to rise. Given that Asian consumers are predominantly buying to drink, the demand and supply dynamic remains very much in place. Premier Cru was the first to stick their head above the parapet in terms of attacking this key territory and have been building relationships all over the region for nearly 4 years; the Times newspaper covered the Company's presence in this market in early Summer this year. Premier Cru has an outstanding record in calling the future of the market (remember our Chinese Concept product that has since outperformed the market?), and believes now is an optimum time for investors to tap into quality Premier Cru advice - before the masses enter the game and drive prices north.

Prices have risen significantly, with the cost of Chateau Lafite Rothschild, a favourite among Asian consumers, climbing by about 30-50 per cent over the last year. Another vintage increasingly finding favour among Asian buyers is Chateau Mouton Rothschild, a top performer over October. Although Premier Cru's 2009 En Primeur campaign has taken off with considerable force and potential, our latest research shows that a myriad of first growths and older vintages are also driving prices - testament to the fact that it's not all about En Primeur.

While there certainly is an enticing argument to be made for physical investing, especially for those in the know who can back their individual knowledge, there are significant downfalls. Firstly, you can't just put a Chateau Lafite in your kitchen wine-rack; fine wine demands careful storage, with even temperatures and humidities, and most homes do not have the right conditions. An alternative is to ask a fine wine investment house like Premier Cru to put together a portfolio and keep the wines 'in bond' which means that duty and VAT do not need to be paid and the wine can be kept in good storage conditions. That said, an attractive tax advantage attached to investing in wine is that under UK tax rules, fine wine has generally been treated as a 'wasting asset', which means it is expected to have a life of less than 50 years and any capital gains generated do not attract capital gains tax.

Clients old and new are becoming further disheartened with low interest bearing bank savings, talk of further unrest in the stock markets and the risk of rising inflation. There are alternatives, such as investing through Premier Cru's experts. Call us in December even if it's for a non obligatory chat about making your money work harder.