

THAT LITTLE WINE BAR

James The Sommelier – Wine Investment

'Wine honors the soul, so honor it with yours.'

Wine Investment: Put your money where your mouth is

There are few opportunities to invest in a product that guarantee you a high return in the world today. However, fine wine has a long history as a 'non-correlated' market commodity meaning the price doesn't go up and down in synch with other investments e.g. the stock market. A shoe in, then, but for one important consideration; how to invest your hard earned money into something that you may know nothing about? Wine investment is inundated with specialized knowledge to, seemingly, separate the pros from the amateurs, so what makes you think you could do it? Could you really put your money where your mouth is and capitalize on your self-confessed ability to taste the finer things in life?

Yes, you can. The first and most important thing about investing in wine is that your level of involvement is generally not important. Even with regards to drinking it, the amount you drink, the range you have tasted, or your familiarity with the language of wine does not count for much at all. All that information is siphoned off for you in tastings conducted under unforgiving halogen lights illuminating dank rooms in the bowels of Bordeaux estates. Meanwhile, you wait for the results to be announced, wrapped up and warm in front of the comforting glow of a computer screen. You don't have to be a drinker at all.

The only benefit of liking to drink wine is that the money you put in is immediately converted to a physical liquid mass - you and you alone own the wine you buy and it's there for you to dip into at your leisure. Consider the example of John Costello, an old-guard collector and the former chief global marketing officer for Yahoo! He buys what he likes and he stores his collection of 2,000 bottles in his own cellars, a cardinal sin in wine investing as there is no guarantee of the quality of the storage conditions. Then again, that is probably the reason why investors who don't like drinking the stuff usually make more money! "We've had very little luck with wine enthusiasts. Very few people have been able to divorce drinking wine from investing in it," says Miles Davis, who co-manages the London-based Fine Wine Investment Fund

When left to their own devices, however, the professionals certainly have the capability to cause quite a stir in the market after a vintage is harvested. Robert Parker's '09 Bordeaux 'in bottle' ratings produced a record eighteen 100-pointers (i.e. wines that scored 100/100 in the judging) sending a spark of activity

Label	Trade price	February trade price	Change
Smith Haut Lafitte	1,400	620	126%
Clinet	2,000	1,320	52%
Pontet Canet	1,750	1,250	40%
Ducru Beaucaillou	2,130	1,780	19%
Evangile	2,400	2,010	19%
Cos d'Estournel	2,940	2,530	16%
Haut Brion	7,500	6,995	7%

through the market between brokers and collectors alike. All advertised by Parker with a cheekily cautious comment on twitter stating '09 was "... the single greatest vintage I have ever tasted..." followed, I can imagine, by a wry smile and contented hands-behind-the-head pose watching numbers on the Liv-ex (the fine wine stock exchange) double and in some cases triple.

The top price rises after Parker's little hint

In the twenty four hours it took for prices to sky rocket, Smith Haut Lafitte prices rose 126% creating a price of 1,400 rather than 620. In twenty four hours! So without a doubt the potential to make some big money is there.

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Email info@thatlittlewinebar.com for details

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But how else does the market behave when strings aren't being pulled by the gods-among-men of wine. With regards to fine wine, the natural appeal for investors is the fact that the demand far outweighs the supply; an idea made even more poignant when realizing that some wine is bought 'en primeur' a method whereby wine is acquired while still in the barrel and at a cheaper price. So it becomes competitive. Very competitive in fact - with investors shelling out 20-50,000 U.S. dollars for an initial purchase.

And how does this translate on a larger scale where the market is viewed by quarter rather than by individual sale? The Wine Investment Fund is quoted as basing their investment strategy on the Price Step Theory, noticing that the limited supply of fine wines does not increase in value in a linear fashion but in quick, short bursts over time. Thus investment timing is of paramount importance. It is perhaps surprising to know that an increasing proportion of investments come from emerging markets.

So, how to keep up with this ever-changing atmosphere of peaks and troughs? The London International Vintners Exchange (LivEx 100) is an index created in 2001 that allows wine investors to track the prices of 100 of the most sought-after vintages. The most illuminating fact is that this index is mostly comprised of one type of wine - Bordeaux. While this sounds like a confined horizon, investors who have focused on the index's top wines have seen solid annual gains of around 16 percent. These gains, however, are concentrated around one class of wine, the *cru classé* Bordeaux, meaning the first growth of a wine from the famous French region. Of course, there are other opportunities in second and third growths which on the face of it offer bigger returns due to cheaper costs but the first growths are those which offer less risk in return due to their better quality, and the higher market demand; there is a bigger demand for *cru classé* than anything else.

But how to invest in wine in Malaysia, a world away and far from the action taking place in Europe? The promise of being sent a brood of bottles you have bought (tens of thousands of dollars' worth no less) may seem to be a bit of a shock, like your relatives children being dumped on you for a month or so... for example. But it is not impossible. To escape from the huge Malaysian import taxes and the hassle of finding somewhere to store bottles in a professional environment hidden from the ravaging heat and humidity (not to mention the cost), the solution is to not do so at all. An option lies in professional storage facilities dotted throughout Europe. "Most of this wine will change hands three or four times, and yet never move from a professional cellar, such as Octavian Vaults," says Simon Littler, chief executive of the Global Wine Company in Sausalito, California, naming one of the premier wine-storage facilities in the world, located in Wiltshire, England, a couple of hours outside of London. This is common even for those in Europe purchasing wine on the LivEx. Professionally managed storage is of paramount importance for bottles intended for investment, whether the wine is owned by a wine fund or an individual collector. Bottles cellared in a personal storage space may lose potential market value, because verifying their provenance becomes more difficult. Advisors to wine investment funds keep the wines they've purchased in professional storage spaces at all times.

If, however, you are a 'new age' Malaysian looking to access your store as easily as a dish of Char Keoy Teow then I'm afraid it's time to bite the bullet, as bringing to your door here will be... difficult shall we say.

This is a market, however. Any investment made does not guarantee immediate or bountiful returns. But why not try your hand at something you can touch and feel rather than stocks and shares. Investing in wine is certainly a good way for a wine lover to try out the idea of playing around the investment market, getting a feel for the thrill and drive of having a keen eye and getting rewarded for it. Go on, put your money where your mouth is.

Tips: Log on to the LivEx and have a gander at the environment of fine wine investment

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