# Mary Taylor & Associates

## Wine Investment Overview

### Wine as an Asset Investment

Investment grade fine wine consists of the top 1% of all wines.

Wine is a consumable and dynamic physical asset. Price rises in the value of wine over time are mainly due to two factors:

1 – *Supply and demand*

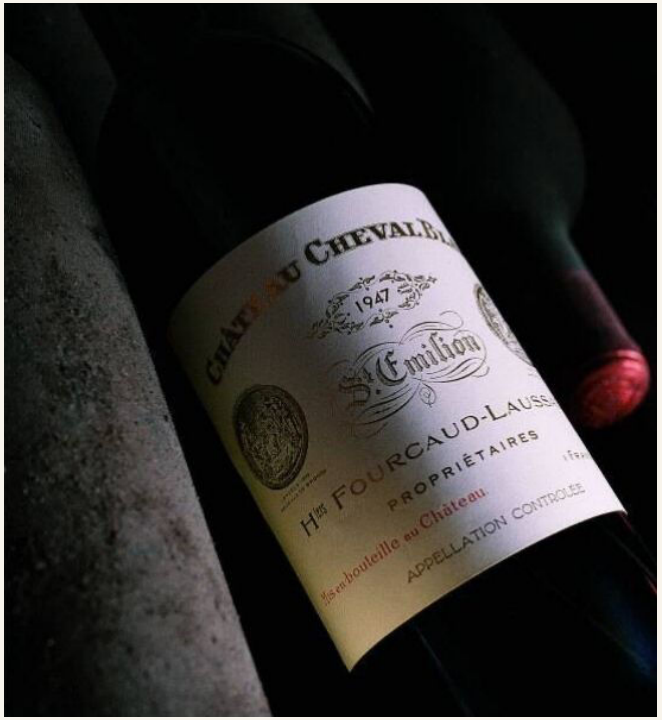
The available supply of any wine is always limited. Vineyards' production is limited by their size and yield and it is impossible to go back in time to make more of any particular vintage.

Over time bottles are also consumed - the fewer bottles remain, the higher the demand for these and the higher the price rises.

More recently, climate change fuelled changing weather patterns and increasing wildfires has meant that traditional vineyards' yields have decreased, creating higher prices for bottles from reduced production areas as well as higher demand for wines from alternative regions.

2 – *The Aging Process*

As wines age over a period of around 5-10 years from production their quality tends to improve, and their prices rise accordingly.



**Investment Performance**

Fine wine has performed consistently well over past decades, averaging a return of around 08-12% per annum.

In the last few years our associates have shown clients returns of around 11-15% per annum.

*Hedging Investment*

Wine is often used as a hedge against riskier investments as it tends not to be correlated to stock markets or inflation. Indeed, in times of economic difficulty or uncertainty (such as during COVID-19) wine frequently shows an increase in value.

Wines are consumed throughout the world, so economic downturns in one country or region do not have such a severe impact on the overall value of wine assets.

*Increasing Demand*

Over recent years the general trend has been for wine to be increasingly sought after. Demand from Asia has been soaring, coupled with new emerging markets such as Mexico and Malaysia. Demand from existing consumers in Europe has also shown no signs of slowing.

*Consistent and Convenient Performer*

Unlike the peaks and troughs experienced by the stock markets, wine tends to be a 'slow burn' investment, generally showing a steady consistent increase of around 1-2% every month or so, making it a more predictable investment asset.

Wine is a convenient asset to hold, with low maintenance, transaction and ownership costs. Wine can also be easily transported and traded around the world.

## Strategies For Investment Success

The most reliable and consistent fine wine investment returns tend to result from investing in ‘blue chip’ stock.

This means focussing on wines from very well-known vineyards with great track records for high quality, high performing vintages. Wines with a global demand and formidable reputation amongst collectors, investors and consumers.

*Optimal Storage*

Perfect storage conditions are absolutely essential to achieving the highest prices for wine. To age well and maintain high quality, wine needs to be kept under exacting temperature, humidity and lighting conditions and experience minimal movement.

The best investment returns are seen when the provenance of the wine can be verified to the potential buyer – the ideal situation is straight from the vineyard into optimal storage conditions.

*Authenticity and Insurance*

Counterfeit wine has recently been estimated to be around a $65 billion industry. Investors should purchase directly from vineyards or with certificates of authenticity backed up by guarantees if purchasing on the secondary market.

Comprehensive insurance is also essential to cover transportation and storage risks.

*Exit Strategies*

Wine is a reasonably liquid (!) asset investment as it can be relatively easily sold out via a number of channels, including to merchants or the hospitality industry as well as direct to consumers and collectors.

The key is good timing and access to the right trade and private purchasers.