

CAPITAL VINTNERS

Assured Excellence





INVESTMENT WITH A TOUCH OF CLASS

FEW INVESTMENTS CAN OFFER THE POTENTIAL CAPITAL AND CULTURAL GROWTH THAT FINE WINES CAN.

Wine is becoming increasingly attractive to many investors, offering a combination of stability, low risk, high yields and edification. Demand has increased enormously over the past decades, resulting in some astonishing returns when purchased prior to bottling, or at the *En Primeur* stage. For instance, in the last year alone, prices of 100 different wines on the Liv-ex, the equivalent of the FTSE 100 for wines, jumped by 42 per cent, outperforming other asset classes such as oil, copper and gold.

For a growing number of speculators and collectors, the market place is no longer just about consumption.

TASTEFUL GROWTH— WHY INVEST IN FINE WINES?

AS A WINE MATURES, MORE BOTTLES ARE CONSUMED. And like all things rare and desirable, its valuation will rise. Being produced in small quantities, wine has often outperformed property on the stock market, offering relatively little volatility.

A consumable asset with longevity gains, fine wine is a strong defensive asset in times of uncertainty, being able to recover from drops in valuation. With consumption and age, more upward pressure is put on prices.

Regarded by Inland Revenue as a ‘wasting asset’, vintage fine wines also benefit from an exemption from Capital Gains and Income Tax.

As with all commodities, investing in wine can be guided simply by: “buy low, sell high”, and remembering that price is determined by supply and demand

BENEFITS OF FINE WINE

- ▶ A better performer than a number of equity and fixed income indices, including the FTSE 100
- ▶ A completely tax-free investment
- ▶ A proven and reliable asset
- ▶ A valuable diversification when part of a larger portfolio
- ▶ A unique investment offering cultural returns

“Wine is less volatile than stocks and shares, making it a less risky investment. Moreover, it is not highly correlated with the stock market, which makes it attractive to investors looking to diversify a portfolio”

—Decanter

Disclaimer: While Capital Vintners believe that the market suggests that fine wine will always be in demand and sensible choices will accrue in value, as with any investment there are no guarantees. Imperial are not in a position to state unequivocally that growth will be achieved and potential growth can differ from wine to wine and from different suppliers.

THE BRILLIANCE OF BORDEAUX

THE HISTORY OF BORDEAUX WINE SPANS ALMOST 2,000 YEARS, TO ROMAN TIMES, WHEN THE FIRST VINEYARDS WERE PLANTED. It was in 71 AD that the first documented evidence of wine production exists.

“Bordeaux still retains its role as the Mecca of the wine world. Wines have been shipped from the riverside here for more than two millennia, and every year this is the place where merchants and critics come to sample and assess the latest vintage”

—Robert Joseph, Founder of *Wine Magazine*

Seldom exported prior to the 12TH century, the popularity of Bordeaux wines jumped dramatically following the marriage of Henry Plantagenet and Aliénor d'Aquitaine, making the province of Aquitaine English territory, and accounting for the ubiquity of claret in England. Vineyards were expanded to accommodate the demands from abroad, and in an effort to stimulate trade, Henry II abolished industry export taxes to England altogether. By 1725, the spread of vineyards throughout Bordeaux had grown so vast that regions and classifications were installed for consumers to know precisely where each wine was from.

In the 20TH century, Bordeaux vineyards recovered from Phylloxera infestations and economic problems. The period from the 1980s is considered “new” in the respect that wine critics now greatly influence demand, and the preferred style of high-quality red Bordeaux has changed to more concentrated in flavour.

Benefiting from shelter of forest and warmth of the Gulf stream, the grapevines and fussy plants of Bordeaux are able to appreciate exceptional types of soil. Over 700 million bottles of Bordeaux wine are produced each year, ranging from large quantities of everyday table wine, to some of the most expensive and prestigious wines in the world.

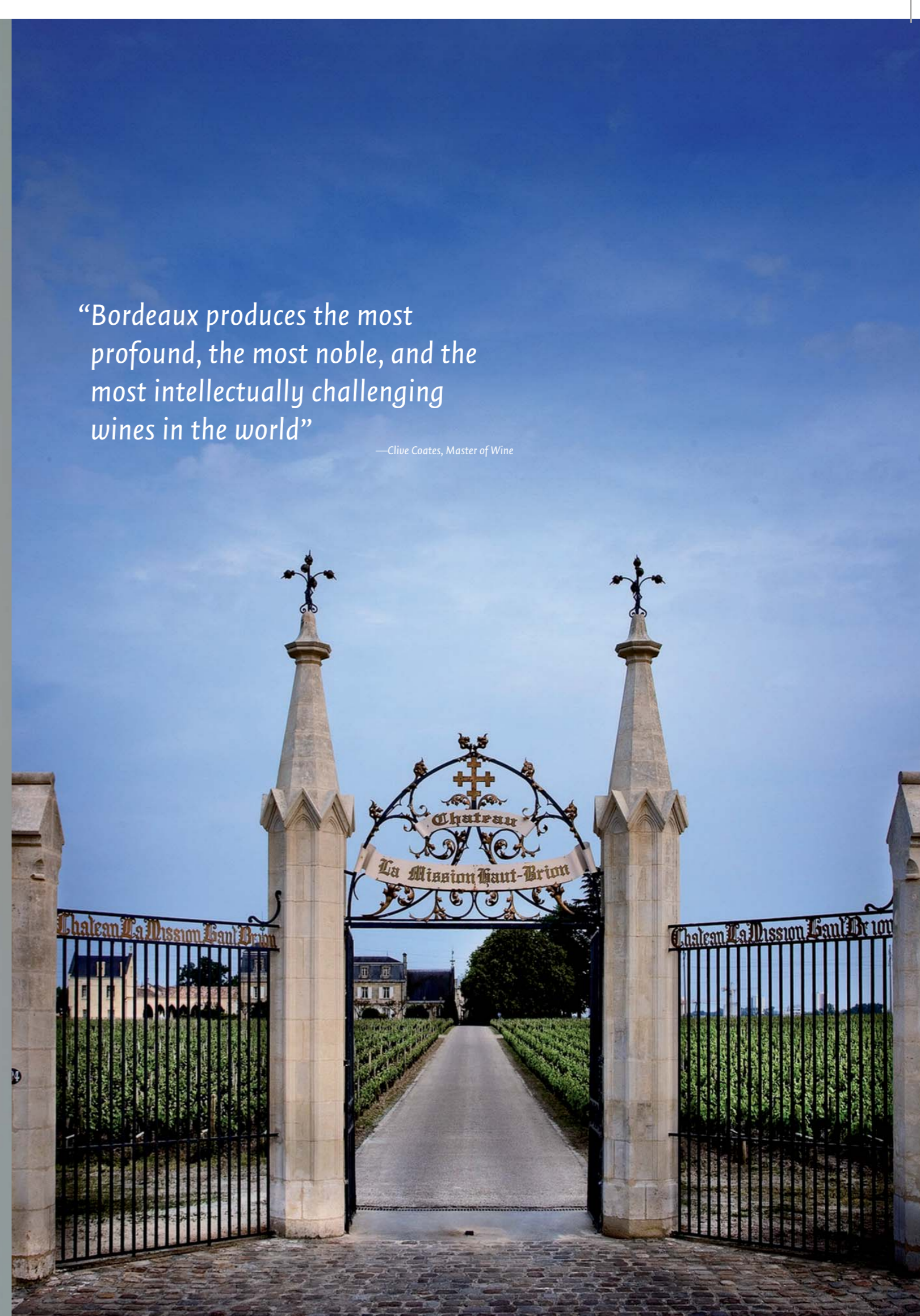
Set in perfect growing conditions, Bordeaux consists of 247,000 acres with some 20,000 producers, of which only around 100 have achieved international recognition.

The French wine regulatory system is renowned throughout the world as being the oldest, most established, and most comprehensive. The system, known as “Appellation d'origine contrôlée”, regulates the maximum amount of wine produced by each Château every year, ensuring the supply of best vintages to be strictly controlled.



“Bordeaux produces the most profound, the most noble, and the most intellectually challenging wines in the world”

—Clive Coates, Master of Wine



FIRST GROWTHS, 'PREMIER CRU', BEST OF THE BEST

PREMIER CRU, THE FRENCH PHRASE MEANING "FIRST GROWTH", REFERS TO A CLASSIFICATION OF ELITE WINES PRIMARILY FROM THE BORDEAUX REGION OF FRANCE. It is the highest subcategory of *cru classé*, or classed growth.

For the 1855 Exposition Universelle de Paris, Emperor Napoleon III requested a classification system for France's best wines, which were to be displayed for visitors from around the world. Brokers from the wine industry ranked the wines according to a chateau's reputation and trading price, which were directly related to quality. With several thousand different chateau producing their own wines in Bordeaux, to be classified was to carry a mark of high prestige.

The result was the Bordeaux Wine Official Classification of 1855. The best of the best wines were assigned the highest rank of Premier Cru.

Only four wines, *Château Latour*, *Château Lafite-Rothschild*, *Château Margaux* and *Château Haut-Brion* were deemed worthy. The 1855 list remained unchanged for over a hundred years, until *Château Mouton-Rothschild* was promoted to Premier Cru status in 1973.

Bordeaux wines that achieve this ultimate ranking may put "Premier Grand Cru Classé" on their labels. Currently, only the *Pétrus* rivals the five First Growths in status.

"Generally, the received wisdom when it comes to wine investment is to stick to the very great 'trophy wines' from Bordeaux, the First Growths"

—Decanter

THE 5 FIRST GROWTHS

- ▶ Château Latour
- ▶ Château Lafite-Rothschild
- ▶ Château Margaux
- ▶ Château Haut-Brion
- ▶ Château Mouton-Rothschild



CHÂTEAU LATOUR

CHÂTEAU LATOUR LIES AT THE VERY SOUTHEASTERN TIP OF THE COMMUNE OF PAUILLAC IN THE MÉDOC REGION TO THE NORTHWEST OF BORDEAUX, AT ITS BORDER WITH SAINT-JULIEN.

The estate has 160 acres of vineyard, producing approximately 33,000 cases each year. Its vines are Cabernet Sauvignon (75%), Merlot (20%), Cabernet Franc and Petit Verdot (2-3%).

The Château makes three principal wines, all red; in addition to its world famous "Grand Vin de Château Latour", it has produced "Les Forts de Latour" and "Pauillac". One of Bordeaux's most concentrated, rich and full-bodied. Highly regarded in terms of consistency.

CHÂTEAU LAFITE-ROTHSCHILD

LOCATED AT THE GREAT WINE-PRODUCING VILLAGE OF PAUILLAC IN THE MÉDOC REGION TO THE NORTHWEST OF BORDEAUX, THE ESTATE HAS BEEN OCCUPIED SINCE AT LEAST THE 14TH CENTURY. Once called "The King's Wine", thanks to influential support from the *Maréchal de Richelieu*.

The vineyard is one of Médoc's largest at around 1 km², producing around 35,000 cases annually, of which between 15,000 and 25,000 are of its famous first growth. Around a third of the wine is released as a second wine under the label *Carruades de Lafite*.

Its vines consist of Cabernet Sauvignon (70%), Merlot (25%), Cabernet Franc (3%), and Petit Verdot (2%). The final wine is composed of between 80-95 per cent Cabernet Sauvignon and 5-20 per cent Merlot.

The wine has a particular softness imparted by the Merlot, creating finesse and elegance with age.



CHÂTEAU MARGAUX

THE CHÂTEAU LIES IN THE COMMUNE OF MARGAUX IN THE MÉDOC REGION, HAVING BEEN OCCUPIED SINCE AT LEAST THE 12TH CENTURY. By 1700, the estate covered its present area of 265 hectares, of which 78 were devoted to wines. It has remained essentially unchanged since then.

Château Margaux is noted for an 18th century manager, Berlon, who revolutionised growth techniques such as the forbidding of harvest in the early morning, to avoid dew-covered grapes, and acknowledging for the first time soil quality.

Its vines consist of Cabernet Sauvignon (75%), Merlot (20%), Petit Verdot and Cabernet Franc (5%) grapes. The wine is noted as being opulent, rich, and multidimensional.



CHÂTEAU HAUT-BRION

LOCATED IN THE GRAVES REGION, IT WAS THE ONLY NON-MÉDOC ESTATE TO BE INCLUDED IN THE 1855 CLASSIFICATION, AS WELL AS BEING THE OLDEST AND SMALLEST OF THE FOUR FIRST GROWTH PROPERTIES. The vineyard consists of 109 acres, producing 12,000 to 15,000 cases each year.

Haut-Brion was the first recorded First Growth to be imported to the United States, when Thomas Jefferson purchased six cases during his French travels and had them sent back to his estate in Virginia.

Château Haut-Brion is planted with Cabernet Sauvignon (55%), Merlot (25%), and Cabernet Franc (20%). The wine is described as being a complex bouquet of scents, well structured and powerful.

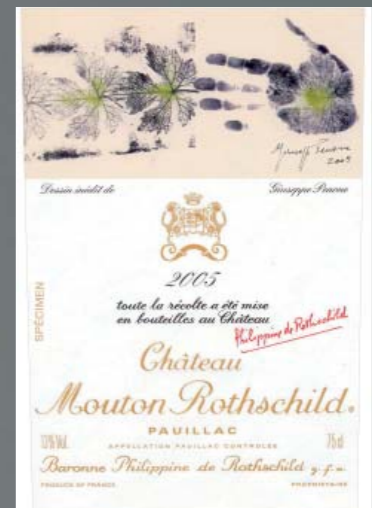
CHÂTEAU MOUTON-ROTHSCHILD

CHÂTEAU MOUTON-ROTHSCHILD HAS ITS VINEYARDS ON THE SLOPES LEADING DOWN TO THE GIRONDE ESTUARY, IN THE BORDEAUX REGION, MAINLY PRODUCING GRAPES OF THE CABERNET SAUVIGNON VARIETY.

The Château has approximately 188 acres of grape vines, producing between 20,000-25,000 cases per year, made up of Cabernet Sauvignon (77%), Merlot (11%), Cabernet Franc (10%) and Petit Verdot (2%).

In 1973, Mouton was elevated to first growth status after decades of intense lobbying. Château Mouton Rothschild was excluded from 1855 First Great Growth status, widely believed that the exception was made because an Englishman had recently purchased the vineyard.

The wine is characterised by its richness and long finish. Each year, a contemporary artist—including some of the world's greatest painters and sculptors—designs its label.



PÉTRUS

PÉTRUS IS A RED BORDEAUX WINE OF THE POMEROL APPELLATION MADE ALMOST ENTIRELY FROM THE MERLOT GRAPE. Although the wines of Pomerol have never been classified, Pétrus is now one of the most highly rated and expensive wines in the world, alongside the First Growths.

The presence of iron deposits in the clay of the Pétrus vineyard promotes a special form of water management in which merlot vines not only flourish, but produce berries that yield exceptionally lush and voluptuous wines of great depth and longevity.

Pétrus has long been described as a wine of incredible power, depth and richness, yet possessing an exquisite balance that facilitates its remarkable longevity. It is equally famous for its silky texture. Winemaking at Pétrus is old-fashioned and quite basic. Fermented in cement vats, the wine is aged in 100 percent new oak barrels for 22 to 28 months. Prior to bottling, the wine is clarified with five fresh egg whites per barrel. The wine is not filtered for fear of stripping away some of its remarkable richness.

THE VINTAGES

WHEN LOOKING FOR COLLECTABLE WINES, ONE MUST BE ASSURED IT COMES FROM A GREAT VINTAGE, OR YEAR. Growing conditions can change year to year and affect rarity value. Wines and vintages are also constantly reassessed based on contemporary market conditions.

The 1982 vintage is a rare case producing some of the best Bordeaux wines ever. Similar praise has been awarded to the more recent 2000 and 2005 vintages.

With the correct wine from the correct vintage, patience and timing can lead to lucrative sales.

“Fine wines, over the last 30 years, have appreciated by more than 15% per annum”

ROLLING FIVE-YEAR ANNUAL AVERAGE RETURN

	Bulk Price March 2008	FTSE 100	Hang Seng	Gold	Fine Wine
1997	19	13	14	-3	27
1998	20	11	-3	-6	19
1999	25	18	16	-6	17
2000	16	11	8	-7	14
2001	9	5	-3	-5	9
2002	1	-5	-3	4	3
2003	3	-5	5	8	3
2004	-1	-7	-3	9	3
2005	0	2	0	14	5
2006	4	4	12	18	13
2007	10	10	24	19	19
Ave/annual return	12	10	19	3	14
Positive periods	90	81	76	57	100

Sources: Liv-ex.com; Bloomberg; Wine Investment for Portfolio Diversification by Manesh Kumar; WAM analysis; The Successful Investor by Robin Duthy

ROBERT PARKER

ROBERT PARKER IS QUITE POSSIBLY THE MOST INFLUENTIAL CRITIC LIVING AND WORKING TODAY.

Robert Parker is the world authority on wine. He has a profound effect both on prices and market demand for fine wines around the world. His 100-point ratings and tasting notes define wine criticism, and are a major contributor to the prices for newly released Bordeaux wine.

Robert Parker's influence on fine wine prices cannot be overstated. "When Robert Parker spits, the world listens," once noted an observer. Historically, the wines that Robert Parker gives high scores to, particularly scores over 90 points, tend to be the wines that show the largest increase in value. Many Bordeaux producers now wait for Parker's ratings prior to setting the release price of their wines.

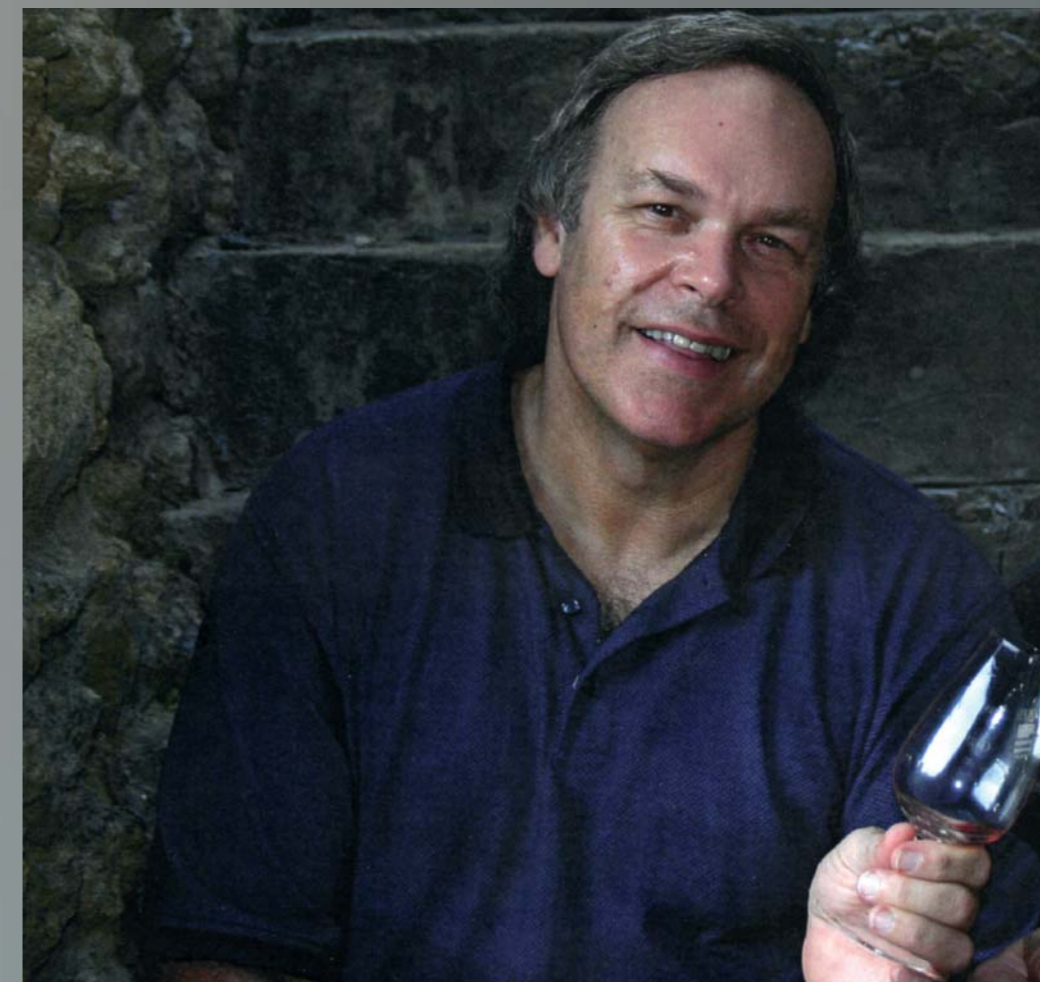
He is the only wine critic in history to be given the highest Presidential Honours by two French presidents and an Italian President.

THE PARKER RATING SYSTEM

- 96 – 100: An extraordinary wine of profound and complex character displaying all the attributes expected of a classic wine of its variety. Wines of this caliber are worth a special effort to find, purchase, and consume.
- 90 – 95: An outstanding wine of exceptional complexity and character. In short, these are terrific wines.
- 80 – 89: A barely above average to very good wine displaying various degrees of finesse and flavor as well as character with no noticeable flaws.
- 70 – 79: An average wine with little distinction except that it is a soundly made. In essence, a straightforward, innocuous wine.
- 60 – 69: A below average wine containing noticeable deficiencies, such as excessive acidity and/or tannin, an absence of flavor, or possibly dirty aromas or flavors.
- 50 – 59: A wine deemed to be unacceptable.

“Anything bearing a Parker score of 90 points plus is sure to be a sound investment”

—Evening Standard



“Robert Parker is easily the single most influential person in the world of wine”

—The Observer





STORAGE

No matter how good the wine, if stored incorrectly it will never realize its full potential. Very few locations possess the features suitable for storing wines.

Please consult a Capital Vintners agent for further information.

TAX-FREE PROFITS

Wine is exempt from Capital-Gains Tax (CGT) because it is regarded by Inland Revenue as a "wasting asset" with a predicted lifespan of less than 50 years.

If you keep the wine in bond, you also avoid paying VAT and Duty. Wine can also be left to beneficiaries per instructions contained in your Will.

It must be emphasized that gains by an individual are free from taxes, whereas gains arising from wine sales by a Company or trader are likely to be construed as trading receipts and taxed.

Capital Vintners advise speaking to an accountant.





CAPITAL VINTNERS