

VINOVEST QUARTERLY REPORT

Q2 2020



vino
vest

Simple, modern wine investing for everyone

Vinovest's mission is to make wine investing friendly and approachable through world-class wine experts and technology. Welcome to a world where you can have your profits and drink them too.



The TLDR

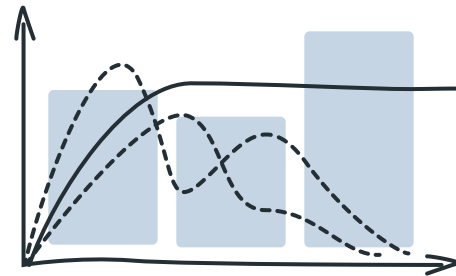
Quarterly reports are long, and people are busy. In case you want the 30-second version, here are the key takeaways:

- 01 . Vinovest investment minimums dropped from \$5,000 to \$1,000.
- 02 . The Vinovest 100 index (1.4%) improved on its Q1 (1.0%).
- 03 . Rhône, Douro, and California were the leading performers.
- 04 . Any growth is promising in the wake of the coronavirus, especially with many fine dining restaurants still being closed.
- 05 . The coronavirus dropped en primeur prices up to 30%.
- 06 . We launched a recurring deposit feature for automated investing.



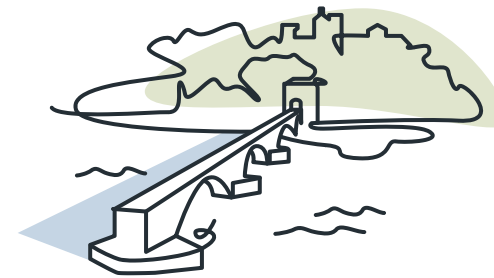
127%

Increase in monetary value for 2011 Chapoutier Ermitage le Pavillon, the highest appreciating wine in Q2



1.4%

The growth in the Vinovest Index in Q2, a 0.4% increase over Q1



2.93%

The growth in Rhône wines, which led all regions followed by Douro at 2.37% and California at 1.02%



872

The number of trees Vinovest will plant based on Q2 wine purchases to **offset carbon emissions.**

Vinovest performance in Q2

The Vinovest 100 index

The Vinovest 100, our proprietary index, tracks 12 major fine wine regions around the world. That includes blue chip regions like Burgundy and Bordeaux, as well as up-and-coming ones like Argentina and Australia. In Q2, the Vinovest 100 grew 1.4%*, a 0.4% increase from Q1.

Any growth is promising in the wake of the coronavirus. Countries are lifting lockdown measures as we slowly inch towards a new normal. Fine wine has held up well under the pressure of the global pandemic when many other asset classes have not.

(*) Vinovest 100 is an aggregate of all fine wine markets. Individual portfolios are not, so an investor may outperform or underperform the index in a given quarter.

The key:

Recession resistance

Fine wine doesn't behave like other assets, including low and mid-priced wines. While stock prices are at the mercy of investors and the political climate, fine wine effectively lives in its own bubble. The price of fine wine more closely reflects consumer preferences, the scarcity of a particular wine, and where it is in the aging process.

The Vinovest 100 stands out as a glimmer of hope in these economically turbulent times. One of the reasons we founded this company was because fine wine has consistently been a strong hedge against market volatility. So far, 2020 has shown that it can weather the most harrowing storms.

Vinovest 100 vs. stock markets

It's tempting to look at the stock markets and conclude everything is alright. The Dow Jones grew 23.25% in Q2 while the S&P 500 jumped 25.49%. All told, it was the [best single quarter since 1998](#).

To be blunt, the stock market is weird. Last quarter, the Dow Jones dropped 34.2%, and the S&P 500 fell 22%. The last time we saw a comeback like this, LeBron James and the Cleveland Cavaliers were down 3-1 in the NBA Finals. Through the first half of 2020, however, Vinovest 100 is still outpacing these traditional indices.

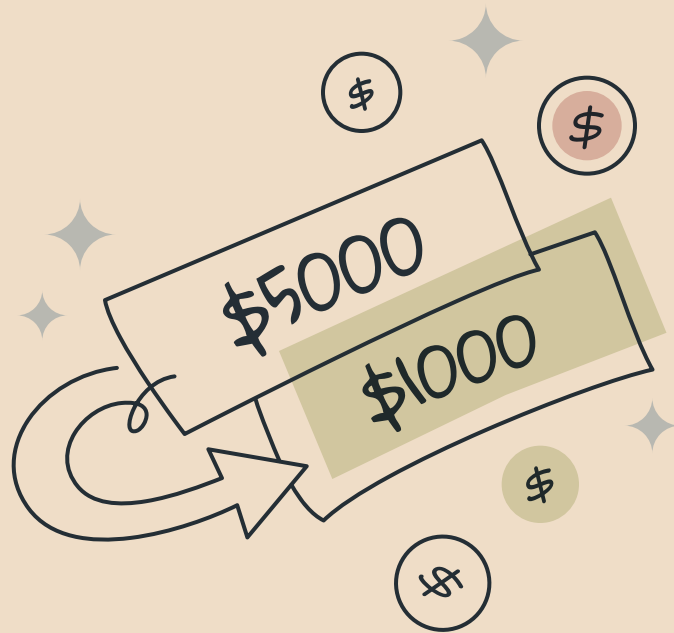


It's unclear if this unprecedented turnaround is a harbinger for the future. The Fed cutting interest rates to near-zero certainly helped spur economic investment. At the same time, in the United States, there is double-digit unemployment and trillions of dollars in aid packages being sent to citizens.

Again, some may argue that the economy is alright, but many savvy clients are starting to diversify their portfolios into uncorrelated assets like fine wine.

Vinovest company highlights in Q2

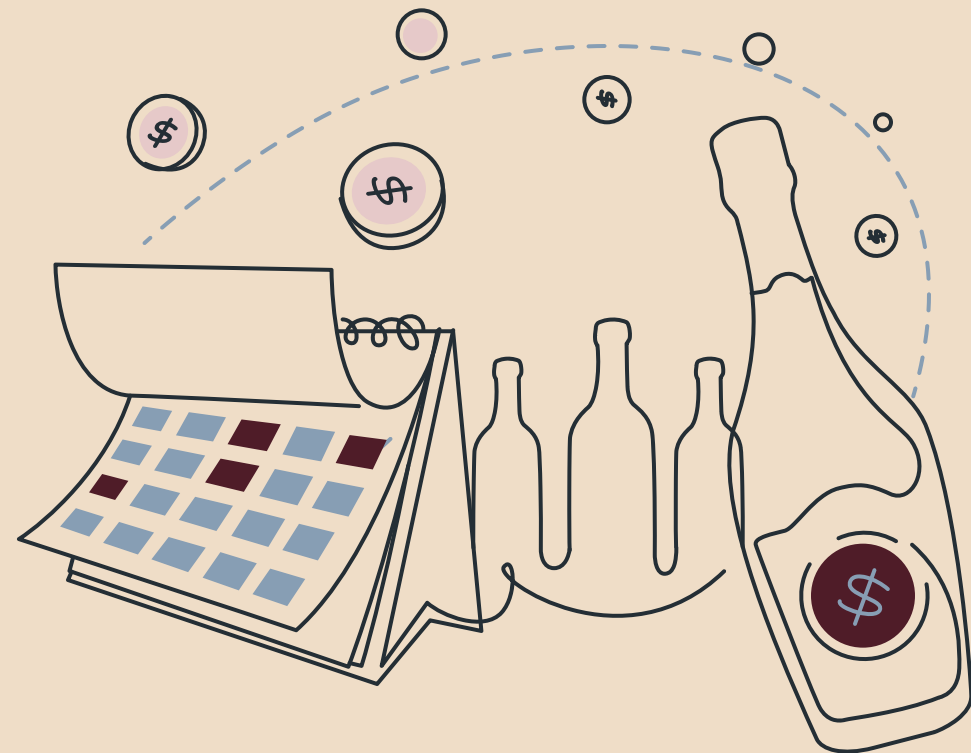
Vinovest reduces minimum investment



Vinovest is about making fine wine more accessible and approachable to people. It's right there in our mission statement on page two. That's why we decided to drop the minimum investment from \$5,000 to \$1,000.

Welcome to the new clients that recognized an opportunity that was too good to pass up.

Auto invest



You asked. We answered.

Q2 saw the launch of our Auto Invest feature. Now you can select a deposit amount and desired frequency (weekly, monthly, etc.). We automatically deploy capital into new market opportunities, so you can kick back and watch your wine portfolio grow.

Bordeaux en primeur



Bordeaux 2019 en primeur was a blue moon investment opportunity. Despite having the highest average initial critic scores in the past 10+ years, the 2019 campaign saw significant discounts, in large part, because of the coronavirus. Clients who took advantage of this opportunity have already seen gains on their initial investments as secondary market demand fueled instant price increases for many of these wines.

Want to learn more about wine futures? [We have you covered.](#)

Best performing regions of Q2

In Q1, we called Rhône a “one of the top emerging markets.”

In Q2, it was the top market.



Rhône

Rhône led all regions with a 2.93% return. The region has gained market share in recent weeks and features three of the top ten performers on Wine Searcher. The 2011 vintage of Chapoutier Ermitage Pavillon set the pace with a 127% return, the best performance of any wine in the quarter. Rhône had four more wines achieve at least 40% growth from Domaine Jean Louis Chave, Beaucastel, and Vieille Julienne.



Douro

Douro, the birthplace of Port, placed second with a 2.37% growth. The classic wine region saw increased demand for Taylor, Fladgate, & Yeatman, one of the world's largest port wine houses.



California

California returned 1.02%, continuing its steady upward trend in value since 2013. While California does not have the cachet of Bordeaux or Burgundy on a global scale, the region is far more dynamic, which has enabled superior price stability. Napa Valley's 2010 Colgin IX Estate was the top performer with a 45.8% growth.

Global wine markets in Q2

“It’s impossible to talk about the global markets without mentioning the coronavirus”

Three months ago, we wrote that “it's impossible to talk about the global markets without mentioning the coronavirus.” That statement remains as true as ever today.

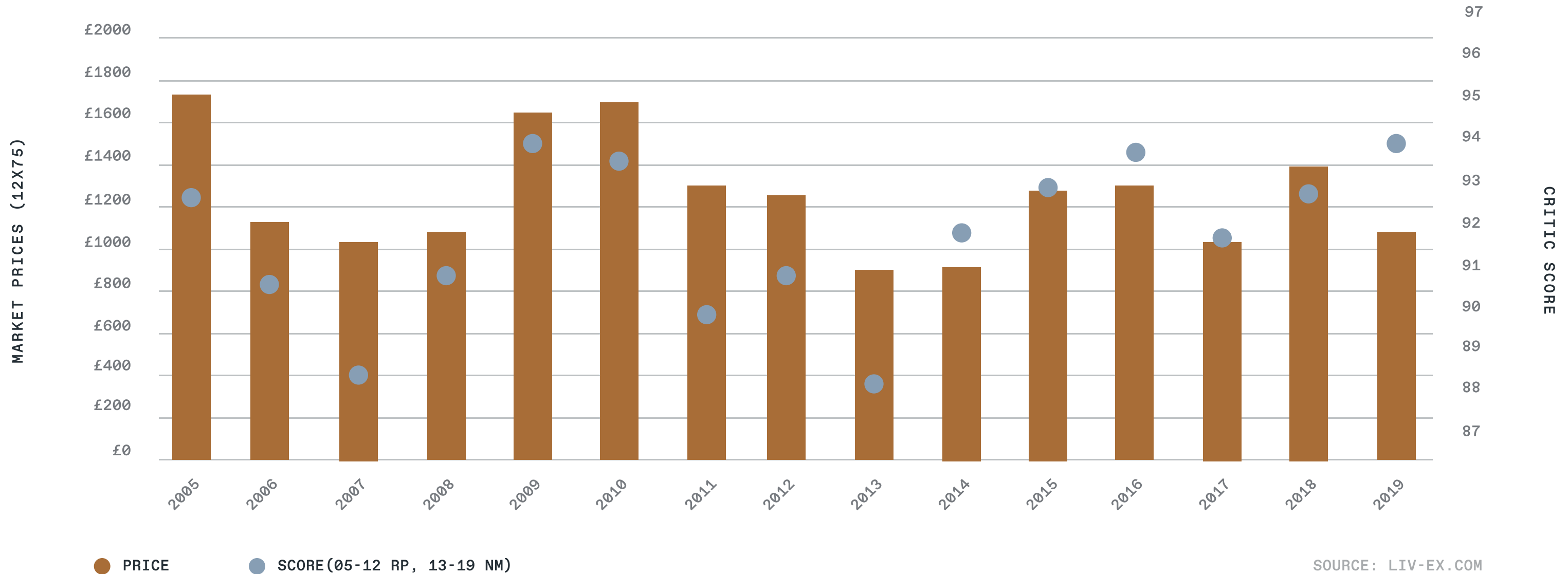
The coronavirus is a lingering presence in any discussion around fine wine’s present or future. It is what compressed the Bordeaux en primeur schedule and prevented critics from going to France for tastings. As a result, growers had to mail critics samples for the first, and perhaps only, virtual campaign.

Châteaux had different approaches to en primeur pricing

Châteaux had different approaches to en primeur pricing. Some kept their prices the same from last year, while others limited their supply to preserve value. Château Lafite Rothchild alone had a volume reduction of 50% with a price reduction of 20% compared to 2018. A fair share of top châteaux dropped their asking prices, including:

Château Pontet-Canet:	▼ 31%
Château Palmer:	▼ 31%
Château Mouton Rothschild:	▼ 30.8%
Château Rauzan-Ségla:	▼ 25%
Vieux Château Certan:	▼ 20%
Château Canon:	▼ 17%
Château Mouton Rothschild:	▼ 16.9% (for Petit Mouton)

Bordeaux 2019 average release price vs current market price (2015 - 2018) and Benchmark critic scores



“The wines are outstanding quality, from simple Bordeaux to Cru Classé”

The price drops have only increased interest among wine investors, especially because critical praise outpaced expectations. Some of the top wine reviews belonged to Pontet-Canet, Lynch Bages, Mission Haut Brion, and Mouton Rothschild. Critic James Suckling declared “the wines are outstanding quality, from simple Bordeaux to cru classe.” Others have called it “outstanding,” “successful,” and a “pleasant surprise.” The positive reception bodes particularly well for long-term price appreciation.

The en primeur market offers a golden opportunity to capture fine wine at its lowest possible price.

The en primeur market offers a golden opportunity to capture fine wine at its lowest possible price. The returns aren't bad, either. Wines from the 2013 and 2014 Bordeaux en primeurs have grown 162.74% and 86.91% since their releases six and five years ago.

Elsewhere, countries that have distanced themselves from the lockdown are seeing pre-coronavirus levels of trading. Wine investors in Asia were at their most active in June since the lockdown. The uptick has stimulated prices, particularly among older vintage Bordeaux.

Investment outlook for Q3 2020

Forecasting is difficult, and the coronavirus doesn't make it any easier. It's too early to know the virus's impact until it's in the world's collective rearview mirror. Fortunately, many leading wine producing countries like France, Spain, and Italy, are seeing a fraction of the daily COVID-19 cases since the initial pandemic spike in March.

Vinovest continues to strengthen its relationships with top wine producers

The Big Three countries set the pace for the global wine market, as their exports account for more half of the world's wine supply. We may see sizable discounts from other elite regions later this year as we did with en primeur.

As always, Vinovest continues to strengthen its relationships with top wine producers. For example, most of en primeur was not available to the general public, yet we gave our investors access to the hottest releases of the campaign. We look forward to offering unique investment opportunities in Q3 and for many more quarters to come.



One opportunity we're looking forward to sharing later this year is the La Place de Bordeaux campaign. In addition to having new releases from France, La Place also has fine wines from top producers in Italy, Chile, Argentina, and the United States, and, for the first time ever, Australia. If these producers choose to price their releases as attractively as the recent en primeur campaign has been, then there may be some incredible opportunities on the horizon.

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Start investing today

Questions? Contact ir@vinovent.co

