

Vinovest Quarterly Report

# July to September 2022



# Wines to Appreciate

At Vinovest, our mission is to make wine investing friendly and approachable to everyone through world-class technology and wine experts.

It's time to uncork your portfolio's potential.

▲ 24.3%  
1-YEAR RETURN



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**-6.33%**

The return for the average wine on the Liv-ex 1000 in Q3, a wine index denominated in US dollars

**2.68%**

The return for the average wine on the Liv-ex 1000 in Q3, a wine index denominated in British pounds

**27%**

The gain in value of the US dollar relative to the British pound over the last year (Learn more on page 12)

**\$1,500**

The new minimum deposit at [Whiskeyvest](#), a bargain from the original minimum deposit of \$25,000. (Learn more on page 14)

**\$19,000,000**

The winning price for a cask of Ardbeg 1975 in July at an auction, a new world record

**\$625**

The amount you could earn for referring a friend to Vinovest, thanks to our [revamped referral program](#)

# Fine Wine Performance in Q3



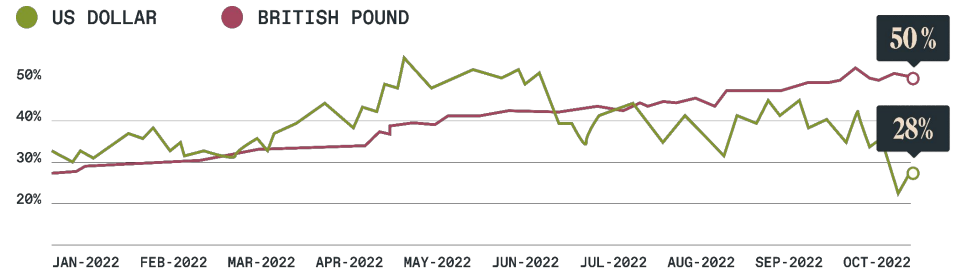
## Q3 Performance by Region

Champagne: .....	5.26%
Italy: .....	1.26%
Burgundy: .....	1.13%
Bordeaux: .....	0.91%
The Rhône: .....	-1.06%
California: .....	-2.4%
Rest of the World: .....	-2.99%

Source: Liv-ex, returns are in British pounds

The story of the third quarter is the US dollar versus the British pound. Even with the fine wine [having a moment](#), the foreign exchange rate has cast a long shadow. Wine prices across most regions have trended upward in the third quarter. However, because most fine wine is denominated in pounds and the pound has weakened, it has led to some clients seeing red in their portfolio. (No, we are not talking about cabernet sauvignon.)

Here's an example. Let's say you bought a case of 2008 Taittinger Comtes de Champagne. (An excellent choice, mind you.) That wine has increased 7% in price year to date. However, the pound declined 17% in that same time relative to the dollar. That means even though your wine portfolio became more valuable, it also declined in value. It seems like a paradox, but both are true. (For more, visit page 9)



## Top 10 Traded Burgundy Sub-Regions

Want to add Burgundy to your portfolio? Here are the 10 most in-demand appellations d'origine contrôlée in the region.

Romanée-Conti .....	7.2%
Vosne-Romanée .....	6.5%
Montrachet .....	5.9%
Nuits-Saint-Georges .....	4.3%
Chambertin .....	4.2%
Chambertin-Clos de Beze .....	4.0%
Échézeaux .....	3.8%
Chambolle-Musigny .....	3.7%
Richebourg: .....	3.7%
Meursault: .....	3.5%

### Burgundy Overtakes Bordeaux

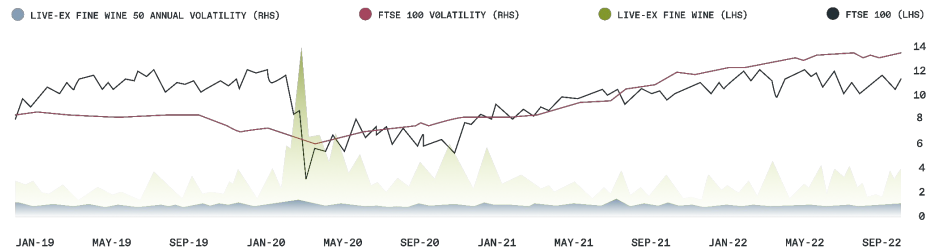
Burgundy was the most traded fine wine region in August with 36.3% of trade by value. It even eclipsed 50% of the trade share for the first time ever during the third week of the month. Meanwhile, Bordeaux finished at 32.2%.

This trend extended to Asia, which accounts for 40% of the secondary wine market. There, Burgundy made up 39.2% of trade by value, with Bordeaux finishing at 37%. The preference for Burgundy bodes well for anyone with high-priced Burgundies. Case and point: Domaine de la Romanée-Conti made up five of the ten most traded wines by value in Asia last month.

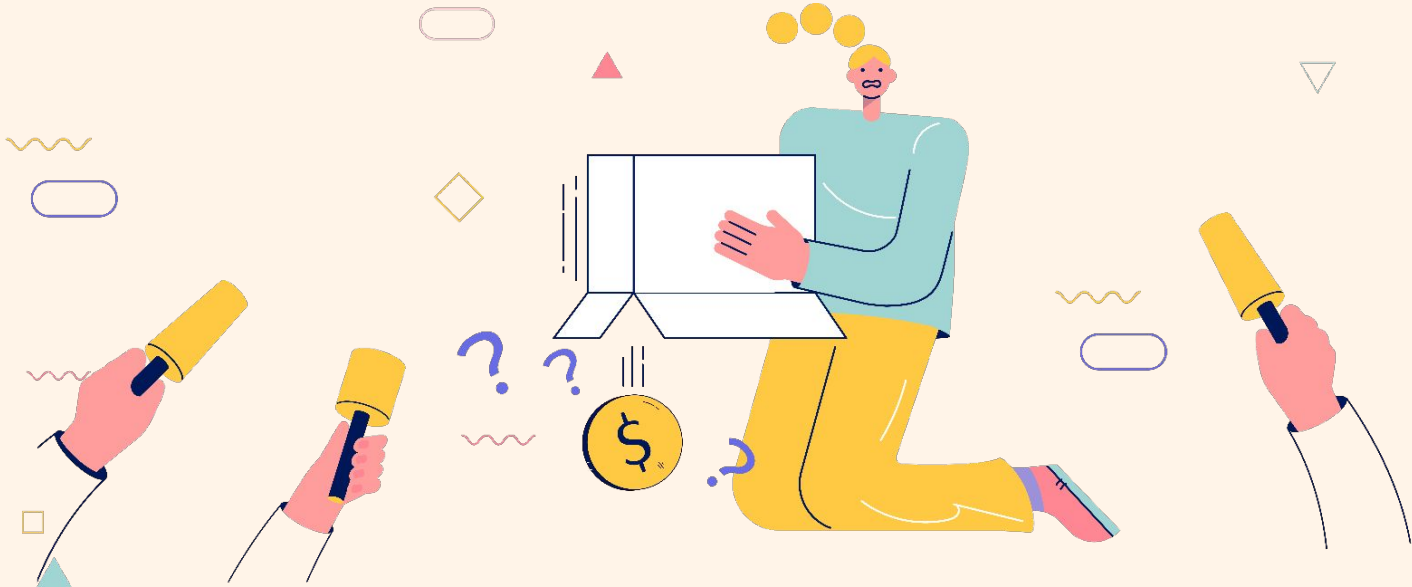
### Volatility Schmolatility

Amid the troubling waters of the global economy, fine wine has been a life raft. Not only did the Liv-ex Fine Wine 1000 grow 2.7% in the third quarter, but it experienced a fraction of the volatility of traditional assets. Here's a comparison of volatility between fine wine and the Financial Times Stock Exchange 100.

### Volatility of Fine Wine vs Stock Market



# The Financial Markets in Q3





## Numbers to Know

### 9 to 5

There are nine job openings for every five unemployed people actively looking for work in the US<sup>1</sup>

### 75

The number in basis points of the Fed rate hike in September, the highest hike in 28 years<sup>2</sup>

### -0.3%

The annualized return for the US bond market over the last five years. It's the first time bonds have ever had negative returns over five years.<sup>4</sup>

1. AMG National Trust

2. CNBC

3-4. Charlie Bilello



There is always uncertainty in the markets. There just seems to be more of it than usual right now.

In the third quarter, we saw a mixture of headwinds blow through the US economy. Decades-high inflation combined with the war in Ukraine and energy-price shocks led the Federal Reserve to hike interest rates by 75 basis points. The aggressive response was designed to ease the high inflation and tight financial conditions that have eaten away at consumer and business confidence.

The United States isn't the only one tightening its financial belt. There are 23 other global central banks that have raised rates to address inflation. Meanwhile, the European Central Bank has reduced its quantitative easing program. The slowing liquidity growth may lead to more market volatility in the coming months.

Simply put, the economy is not out of the woods yet. External threats still linger, including the Covid-19 pandemic. To make matters worse, it's not just the US dealing with anemic GDP growth, rising interest rates, and supply chain disruptions. The entire world is too.

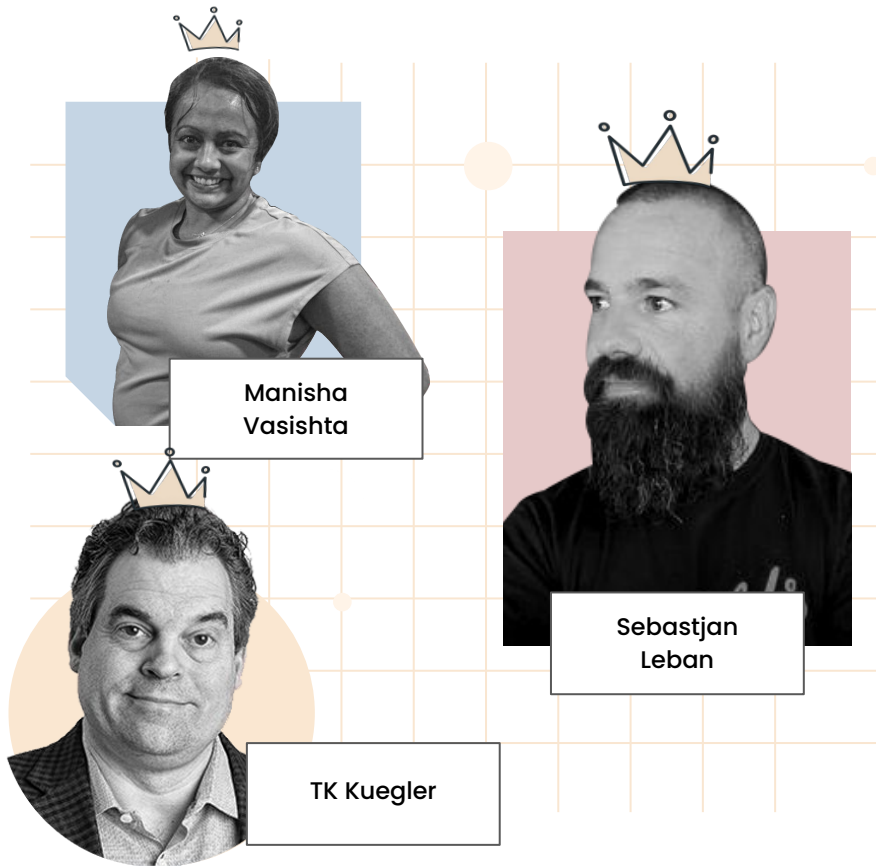


## Clients of the Month

Vinovest has more than great wine. We have some pretty awesome clients, too. That's why we're [shining the spotlight](#) on some of our brightest stars.

Want to be our next Client of the Month?  
Join the community and comment on our  
latest Client of the Month post.

BECOME CLIENT OF THE MONTH



# News in Q3

We heard it through the grapevine



# #1. Dollars vs. Pounds

There has never been a better time to invest in fine wine.

The reason: a weak British pound.

Here are three things you need to know about the pound and how it impacts your wine portfolio.

## Reason 1: Fine Wine Is Bought and Sold in British Pounds

Most fine wine is transacted in British pounds. Why is this important? When you look at wine prices, they are denominated in British pounds, not US dollars.

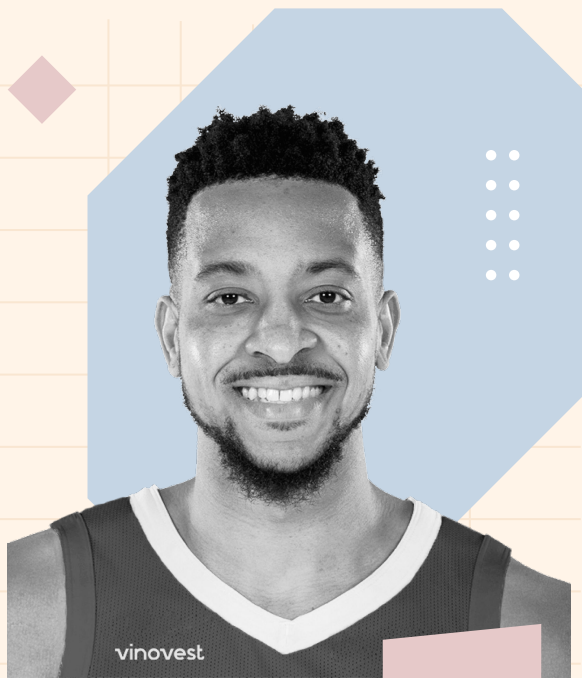
## Reason 2: The Dollar Is Strengthening Against the Pound

One year ago, \$1 was only worth £0.73. Today, that same \$1 is worth £0.93! That means the US dollar buys 27% more in pounds than it did a year ago. Put another way: there are historic buying opportunities for anyone with US dollars.



## Reason 3: The Weakened Pound Is Bittersweet

If you invested in wine in the last year, you did so using British pounds. Because the value of the pound has fallen, the value of your portfolio may have fallen, too. That's even though the value of your wine may have gone up! C'est la vie.



## #2. Wine and Basketball

On September 12, Vinovest officially [announced CJ McCollum](#) as an ambassador and advisor.

Many of you may know CJ for his accomplishments on the basketball court. He's also an, ahem, trailblazer in the wine industry. As the owner of McCollum Heritage 91, CJ is the only active NBA player to own a vineyard. He's been instrumental in making great wine more accessible and inclusive, something that resonated deeply with our mission at Vinovest.

We look forward to working with him to democratize wine investing and knocking down barriers like he knocks down 3s.

**Meet and Greet.** We sat down with CJ McCollum for a fireside chat. Watch the event for free in the Vinovest Community.

GET TO KNOW CJ MCCOLLUM

## #3. Have You Met Whiskeyvest?

Whiskeyvest is our sister venture. It allows people to buy, sell, and store casks of investment-grade bourbon and Scotch. Recently, we revamped and updated the platform to make whiskey investing even better. That includes:

**New lower minimums:** While it used to take \$25,000 to get started, we've dropped the minimum to only \$1,500.

**More options.** Enjoy 2x the choices when building your whiskey portfolio.

**New perks.** You can actually go visit your cask. And we'll send you a small sample of your whiskey each year that you own it.



### Reasons to Invest in Whiskey

- 398% appreciation over the last decade<sup>1</sup>
- Instant portfolio diversity
- Bond-like stability
- Low correlation with traditional markets
- 100% ownership
- Free tours to visit your cask
- Samples of your cask

<sup>1</sup>) Rare Whisky 101



## #4. Goodbye Deposit Minimums

Auto-investing just got that much easier. We eliminated our deposit minimums so that you can protect and growth your wealth at your own pace.



Deposit Minimum	Then	Now
One-Time	<b>\$1,000</b>	<b>\$0</b>
Weekly	<b>\$125</b>	<b>\$0</b>
Monthly	<b>\$500</b>	<b>\$0</b>

## #5. What to Make of the New Saint-Émilion Classification

Last year was a bumpy ride for the Saint-Émilion classification. In July, top-rated Châteaux Cheval Blanc and Ausone opted out. A few months later, Châteaux Angélus and La Gaffelière followed suit. That left the classification without three of its top four estates, the equivalent of Harvard, Yale, and Columbia opting out of the Ivy League.

Even with glaring omissions, the new classification passes the credibility test. St-Émilion-based merchant Bruno Baillarguet praised it as “a renewal of competition among the many remaining estates.”

The biggest winner was [Château Figeac](#). It earned an overdue promotion to Premier Grands Cru Classé (A), making it one of two estates with the distinction. According to Liv-ex, Figeac’s average market price has grown 47% in the past three years. Expect that number to soar with the tailwinds of a new and illustrious title.

### The Saint-Émilion Classification added 12 Premier Grands Crus Classés (B) including:

1		Château Beau-Séjour Bécot
2		Château Beauséjour Héritiers Duffau-Lagarrosse
3		Château Bélair Monage
4		Château Canon
5		Château Canon-la-Gaffelière
6		Château Larcis Ducasse
7		Château Pavie Macquin
8		Château Troplong Mondot
9		Château Trotteville
10		Château Valandraud
11		Clos Fourtet
12		La Mondotte





*Amid the global climate crisis, wildfires have become an increased threat to winemakers*

## #6. French Fries

The climate crisis rears its head again. More than [230 square miles](#) of southwestern French countryside have gone up in flames this year, largely due to wildfires in July. The region is home to numerous famous vineyards and châteaux, though there have been no reports of fire damage so far.

So far, the Conseil Interprofessionnel du Vin de Bordeaux reported no evidence of smoke taint in Bordeaux. The wildfires did not occur close enough to the vineyards, and the winds moved the smoke to non-vineyard areas. Additionally, because the fires happened during the summers, the grapes would have had skin thick enough to resist smoke taint.

**Did You Know:** smoke taint can give wines an unwanted charred or burned quality. Most people consider smoke taint a fault, like oxidation or secondary fermentation.



## #7. Good Product Hunting

Robinhood. Gimlet Media. Front. What do all these companies have in common? They all launched on Product Hunt. Now, you can add Vinovest to that list.

Vinovest made its Product Hunt debut on August 7. Vinovest peaked at number two in the daily rankings and even [earned a spotlight](#) in the Product Hunt newsletter. It's proof that people view wine investing less as a novel concept and more so as a core financial strategy.



Product Hunt

## #8. Down Bad Down Under

Droughts, fires, and declining tourism, oh my. Australian winemakers are being hit with the triple whammy. To make matters worse, China slapped import tariffs on Australian bottled wines ranging from 116% to more than 200% in late 2020.

As a result, Wine Australia reported a [19% drop in wine exports](#) (A\$1.23 billion in value) over the last year. The number of companies exporting to mainland China has fallen from 1,508 to 143 over that same time, and Wine Australia plans to close its office in Shanghai. In the words of Mad Men's Pete Campbell, "Not great, Bob."

The silver lining: Australia's exports to the rest of the world have risen by \$247 million.



## #9. Biggest 🙌 Whisky 🙌 Auction 🙌 Ever 🙌

Just when you think you've seen it all, Sotheby's shows up and keeps us on our toes. According to [The Drinks Business](#), Sotheby's NY offered the highest value whisky collection in a standalone auction in US history. It contained nearly 500 lots, including The Macallan in Lalique Six Pillars Collection. The price tag for the collection? An estimated \$2.1 million.

The Macallan in Lalique Six Pillars Collection alone was estimated to sell for \$400,000 to \$580,000. (It ended up selling for \$550,000). The whiskies ranged from 50 to 65 years old, proof that patience is its own reward.

It's also a reminder that if you haven't invested in whiskey just yet, it's never too late to make today the day.



*A sneak peek at the first wine club shipment*

## #10. Join the Vinovest Wine Club

Ever feel the temptation to “liquidate” your portfolio? We know the feeling. That’s why we created the Vinovest Wine Club.

Now you can try wine from the same regions and producers as those in your portfolio without drinking the investment-grade stuff. Each wine comes with a beautiful story, a tasting sheet, and an invitation to a live guided tasting led by a Master of Wine. It’s the perfect way to build a bridge between your palate and portfolio.

Premium and Grand Cru clients can join today by contacting their portfolio manager.

# Investing Outlook for Q4

Us keeping a close eye on the weak pound in Q4





Charles Antin

The fine wine market has been growing at a historic rate. According to Liv-ex, every major wine region outside of Bordeaux has returned at 25% over the last two years. That includes 69.1% and 65.9% appreciation by Champagne and Burgundy, respectively.

That torrid pace might be approaching a plateau. The Liv-ex 100 dipped 0.3% in July after rising for the previous 24 consecutive months. The slight slowdown suggests that global economic factors (e.g., inflation, interest rates, and the war in Ukraine) are exerting themselves on the secondary market.

Charles Antin, an auctioneer and head of wine auction sales at Zachys, put it this way, “We’re still setting world records for certain wines, but the graph can’t go up as steeply as it has, forever. My prediction is a cooling off, not a falling, but continuing to rise in the long run.”

Others have echoed a similar sentiment. In an interview with Decanter, Will Hargrove of Corney & Barrow said, “The acceleration of the market has calmed down...It’s certainly cooled down, but there’s still good demand.”

Translation: the market should remain resilient despite the uncertain macroeconomics, especially for those with top-tier Burgundies and other blue-chip wines.



# It's a Cellar's Market

Vinovest clients have more than 360,000 bottles stored in their cellars.

Get yours at [vinovest.co](https://vinovest.co) today.

