CULT WINES

SOLUTIONS FOR FINE WINE

Fine Wine Investment

The natural choice for your pension funds

www.wineinvestment.com

Osbourne Uncorks the Pension Bottleneck

So finally the stranglehold that has been placed around UK pensions for decades has been removed under radical new plans announced in the spring budget 2014.

Savers will be given absolute freedom over how they withdraw and manage their pension cash.

From March 27th 2014 the first phase of planned reforms* came into effect allowing savers to benefit in the following the way;

- Pensions totalling not more than £30,000 will be payable in full and taxed at marginal rates.
- Savers over 55 are currently able to access pensions totalling much larger sums, for example taking 25% of a £100,000 pot – tax free with the remainder available for income drawdown which will be unrestricted from May 2015.

There are other reforms* to come into play which effect the manner in which you drawdown or purchase annuities, these are wholly dependent on the size of your pension pot and will be fully implemented from Spring 2015, but the headline changes are that savers can now decide where to invest their cash and that has opened up

some very interesting options including owning a fine wine investment portfolio.

There are going to be many investment opportunities placed before savers over the coming months and years, particularly from the alternative investment arena all offering highly attractive returns and therefore one of the key questions that investors need to consider is the level of risk attached to their investment capital they are prepared or willing to accept? At the moment 5% returns on a typical annuity are considered very low risk and clearly risk levels rise sharply as the projected returns increase!

The other key issue is diversity within your overall investment portfolio, it is essential that investors spread their risk across a range of traditional and alternative investments ensuring the risk levels are acceptable, understood and match the investor's objectives.

Therefore in presenting fine wine as an investment option we would start by recommending that investors seek to restrict their holding in fine wine to no more than 25% of their investment portfolio and view fine wine as a minimum 5 year investment hold.

*See page 9 for a summary of proposed pension changes.

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When allocating pension funds, what are the key areas to consider?

1. Capital Protection

When allocating money from your pension to an investment option, one of the most important issues to consider is the risk associated with capital sum being invested. Ensure that capital sum is completely protected i.e. no downside by acquiring assets which have a proven track record of returns, offer low volatility and are fully secured in your name.

2. Low Volatility

Planning ahead means exactly that, investors want to know how much they have invested and accumulated at any given time and want to make plans based on solid projections and stable growth. Investors should not expose themselves to markets or asset classes where high volatility is prevalent and therefore market swings can have a major impact on the value of their holdings.

3. Solid Returns

The best investors can hope for in the current climate is inflation beating returns, otherwise they are staring at negative cash returns. With the rate currently 1.6% and interest rates held at 0.5% anything above this level should be considered the minimum target for investors.

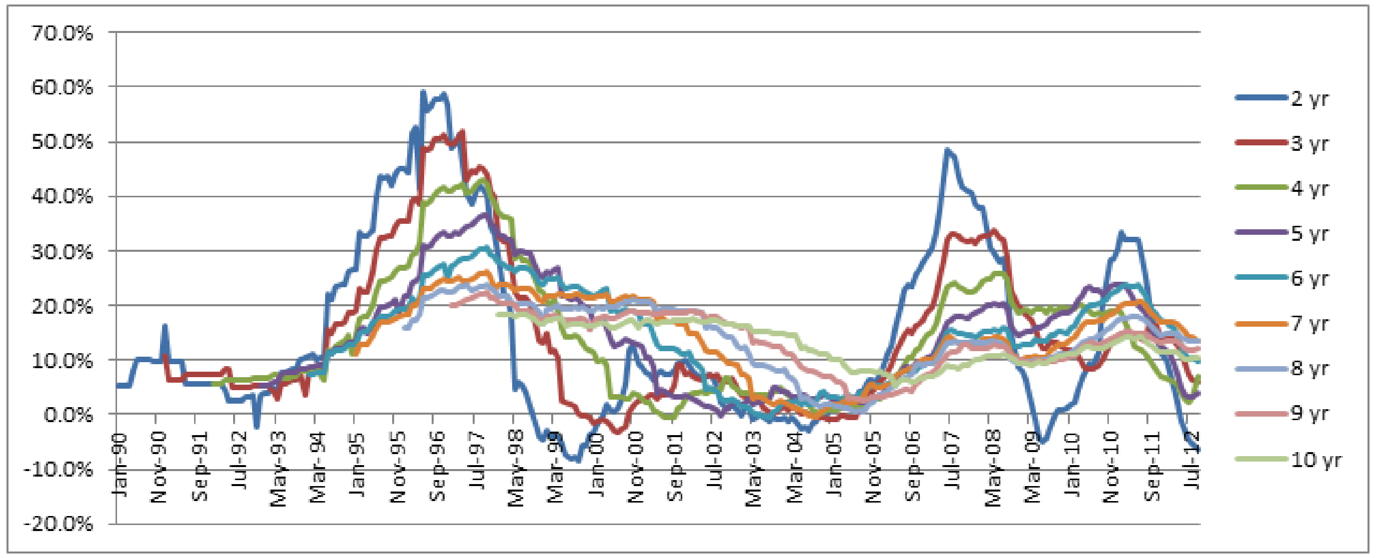
So how does fine wine compare to these numbers and can it really provide frustrated savers and investors with a medium to long-term solution to their retirement plans?

Using price data for the fine wine market, we can model this information to provide answers to the questions above and demonstrate how an investment in fine wine can offer a very realistic alternative for retirement planners.

Disclaimer

The Liv-ex Fine Wine Investable Index tracks the most "investable" wines in the market around 200 wines from 24 top Bordeaux chateaux and provides reliable data back to 1988.

The graph below has taken this data and analysed the Compound Annual Growth Rate (CAGR) from a 2 year hold up to a 10 year hold.



The graph above illustrates the longer fine wine is held the less volatile it becomes.

When considering wine as an investment option for retirement savers – it's worth discounting the shorter term figures and comparing the 10 year CAGR against the criteria that were earlier set out:

10 Year CAGR	
Min Returns	5.4%
Max Returns	18.4%
Average Returns	12.9%
Standard Deviation	3.7%

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Why Fine Wine Investment has a solid proven track record for returns

1. Capital Protection

Since 1988 on average the minimum CAGR fine wine has generated is **5.4%**, this clearly illustrates that an investment in wine has always ensured capital protection over a 10 year hold. These figures also emphasise that fine wine has a very good risk to reward ratio.

2. Low Volatility

Standard deviation of just **3.7%** over the period reflects rather stable market conditions. Therefore investors and savers can feel confident that their capital will not experience any major value swings and to some degree can plan ahead based on assumed growth.

3. Solid Returns

Worst case scenario, fine wine has returned a clear **2.6%** over the long term rate of inflation in the UK. Annualised returns for a ten year period reflect a minimum return of **5.4%**, a maximum of **18.4%** pa, with the long-term average **12.9%** - the stats for fine wine make for very attractive reading.

Summary

So what do these numbers mean in actual terms?
What can savers and investors expect?

Capital Invested	Minimum After 10 yrs	Average After 10 yrs	Maximum After 10 yrs
£10,000	£16,920.22	£33,646.46	£54,139.85

These are the types of figures which have made alternative investments, especially those focused on assets which are constrained by a demand/supply imbalance and hold an inherent value so attractive to investors, savers and retirement planners worldwide.

There is no question that seeking to generate returns which outperform a typical UK annuity whilst protecting your capital is becoming increasingly difficult, so there is a growing need to look at secured asset investments that offer a much safer haven for your money and provide a much lower risk strategy to match your investment objectives and help you plan safely for your future.

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How can we help?

Since 2007, Cult Wines Ltd has developed a reputation as one of the leading fine wine investment companies. Our services are used by 750 private investors and collectors in over 33 countries worldwide. Market Leading insight, index outperformance and a strong focus on maintaining high levels of customer service are the trademarks that have established our reputation as market leaders.

Cult Wines is a family run company with core values of openness and transparency which prides itself on building long-term client relationships. Our team of specialists are ready to provide the necessary expertise, tools and market experience to enable you to build a profitable fine wine portfolio tailored to your own personal investment goals.

Your Next Action?

Please don't hesitate to call one of our private client portfolio managers for a brief chat to understand more about opening a fine wine investment portfolio, there is absolutely no obligation and we will be happy to provide our expert advice on whether this market is suited to your investment needs.

You can also visit our website www.wineinvestment.com which is the No 1 site for fine wine investment and will provide a rich source of current market and company background information to help you build a better understanding of this investment market and our company and its unique range of services.

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Proposed Pension Changes at a Glance

The following were confirmed effective March 2014;

Drawdown investors currently have a yearly limit to the income they can draw. They can choose from zero up to the maximum. This maximum has increased by 25% (from 120% to 150% of an equivalent annuity) for investors starting a drawdown account after 27 March 2014.

Flexible drawdown allows investors to make uncapped, unlimited withdrawals from their pensions. There are, however, strict qualifying criteria. The main one is that you must already have a secure pension income of at least £20,000 a year in place (including any state pension). From 27 March 2014 this limit is reducing to £12,000 (including any state pension).

From 27 March 2014 investors aged 60 or over with total pension savings under £30,000 will be allowed to draw them as a lump sum. The first 25% will be tax free, and the rest taxed as income. This can only be done once.

Investors with individual personal pension pots smaller than £10,000 will be allowed to draw them as a lump sum from age 60. The first 25% will be tax free, and the rest taxed as income. This can only be done three times.

The following are subject to consultation with a planned live date of May 2015;

Currently most investors aged 55 or over can take up to 25% of their pension as tax-free cash and a taxable income from the rest. There are rules that determine the maximum income most people can draw each year.

These restrictions will be removed in April 2015 so pension investors will be able to take the whole of their pension as a lump sum if they so wish, subject to consultation. The first 25% will be tax free, whilst the rest will be taxed as income.

Important Notice:

Please note that Cult Wines Ltd is not authorised to provide advice on pensions or provide comment with regards to your pension status, please therefore direct any specific pension queries to your pension provider, this also applies to the proposed changes as noted on this page.

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