

**cult** WINE  
INVESTMENT

BORDEAUX  
SMART  
ALLOCATION

2022 VINTAGE



# CONTENTS

SMART ALLOCATION	2
INVESTING IN BORDEAUX	3
OUR APPROACH	4
SMART ALLOCATION METHODOLOGY	5
HOW WE ANALYSE EP	6
2022 VINTAGE QUALITY	7
BACK VINTAGE ANALYSIS	8
HOW IT WORKS	9
APPENDIX	



# CWI'S BORDEAUX SMART ALLOCATION 2022 VINTAGE

Cult Wine Investment's Bordeaux Smart Allocation is the best way to build a portfolio of wines from the historic region that remains the cornerstone of the fine wine investment market.



This Bordeaux Smart Allocation gives our clients an opportunity to commit funds upfront at the beginning of the 2022 En Primeur (EP) campaign to secure preferential access to a portfolio of new 2022 EP wines and attractively-valued back vintages. We believe this approach allows us to access the best wines from the entire market on behalf of our clients, thereby increasing the potential for long-term returns and outperformance versus the wider Bordeaux market.

Although the upcoming 2022 EP forms the catalyst, allocations will also include back vintages. Each year, the region's EP campaign is an opportunity to reassess the entire regional market, as the quality, volumes and release prices of the new wines can open new opportunities.

By committing funds to this strategy at the beginning of the campaign, clients will receive one final allocation that benefits from Cult Wine Investment's market-leading investment expertise based on:

- Access to entire Bordeaux market
- Track record of long-term returns<sup>1</sup>
- Proprietary market analysis and quantitative research resources

Here, we outline why investing in Bordeaux using Cult Wine Investment's Bordeaux Smart Allocation can maximise the potential of this benchmark fine wine region.

## BENEFITS OF BORDEAUX

As the largest and most liquid fine wine market, Bordeaux offers what wine investors seek – stability and return potential. Since its inception in October 2009, the Cult Wine Investment Bordeaux Performance is up 148.44%. Recent returns have been solid as well with a 20.10% rise over the past three years.<sup>2</sup> Even if Burgundy and Champagne have higher recent returns, the below volatility comparison shows Bordeaux remains the steady stalwart.

Current market conditions could also boost Bordeaux’s return potential. Relative value has improved and demand out of the all-important Chinese market jumped in early 2023 following the end of zero-COVID policies. Our recent article explained how these tailwinds combined with the hype around the 2022 vintage are improving Bordeaux’s outlook.

### The lowest volatility in all fine wine

Annualised standard deviation of monthly returns of Cult Wine Investment Performance (31 Mar 2018 – 31 Mar 2023)

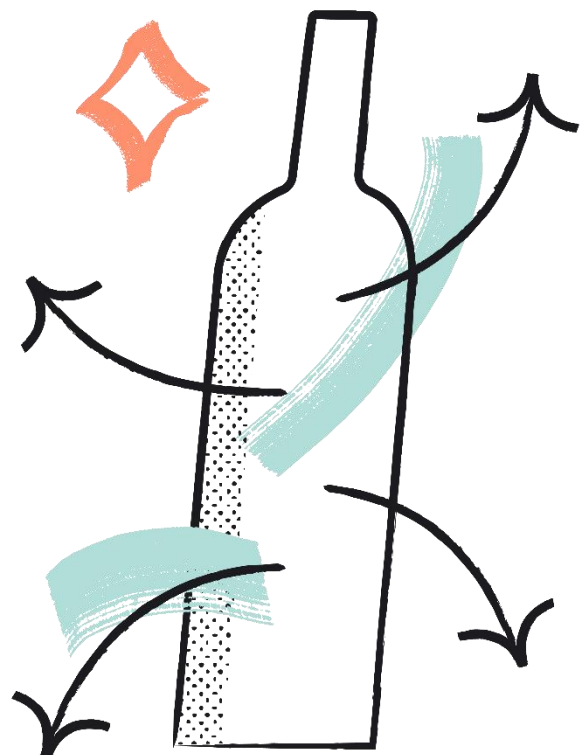
	Cult Wines Global Index	Cult Wines Bordeaux Index	Cult Wines Burgundy Index	Cult Wines Champagne Index	Cult Wines Rhone Index	Cult Wines Italy Index	Cult Wines USA Index	Cult Wines Rest of World Index
5 Years	3.51%	<b>2.87%</b>	9.44%	7.51%	6.46%	5.88%	6.19%	5.69%

Source: Cult Wines Indices based on Wine-Searcher pricing as of 31 Mar 2023. Past performance is not a guarantee of future returns.

## BENEFITS OF OUR APPROACH

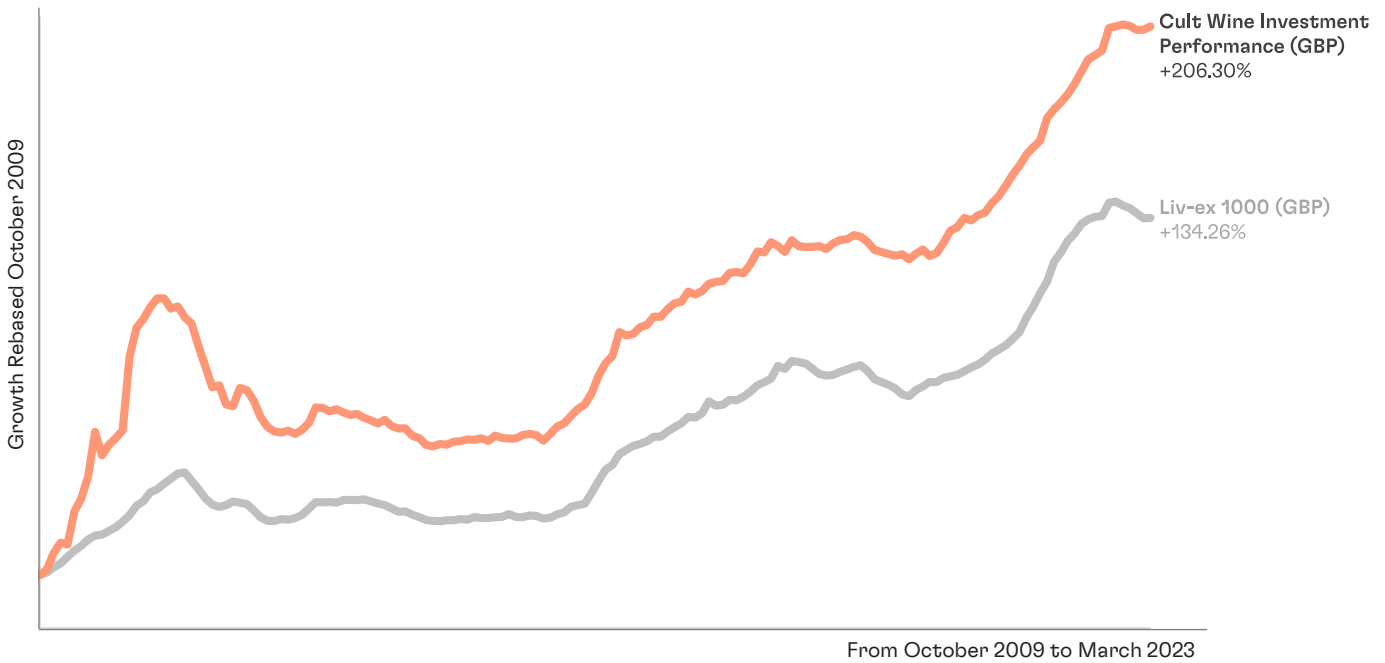
Cult Wine Investment’s track record of stable, long-term returns stems from exclusively buying and selling wines using strict investment criteria to build portfolios with superior returns objectives. Since its inception in October 2009, Cult Wine Investment Performance has outpaced the Liv-ex 1000 index with a 206.30% return versus the Liv-ex 1000 134.26% (both through 31 Mar 2023).

The Cult Wine Investment Performance tracks the overall performance of our assets under management. Each component unit is rebased on entry at the purchase price and valued each month based on the Liv-ex market price at the end of each month.



<sup>2</sup> Source: Pricing data from Liv-ex as of 31 Mar 2023. Past performance is not a guarantee of future returns.

## Cult Wine Investment vs Liv-ex 1000 index performance



Our success stems from the extensive experience and fine wine market knowledge of the Investment and Research Team, which includes four portfolio managers, and two research analysts. All team members hold WSET qualifications and bring a combined 100+ years of experience in fine wine and financial markets.

Our investment process follows five steps (see appendix) based on the strict framework defined by our Chief Investment Officer, Olivier Staub, CFA and the investment strategy validated by the Investment Committee (IC).

Your Individual portfolio is actively managed by a portfolio manager within the overall framework, ensuring you benefit from the most complete knowledge, analysis and expertise.



## METHODOLOGY FOR BORDEAUX SMART ALLOCATION

- Identify best relative value Bordeaux wines for long-term performance
- Identify producers poised for long-term sustained growth
- Diversity of wines across regions, producer categories, and back vintages

### Cult Wine Investment Performance vs Static CWEP40 Index

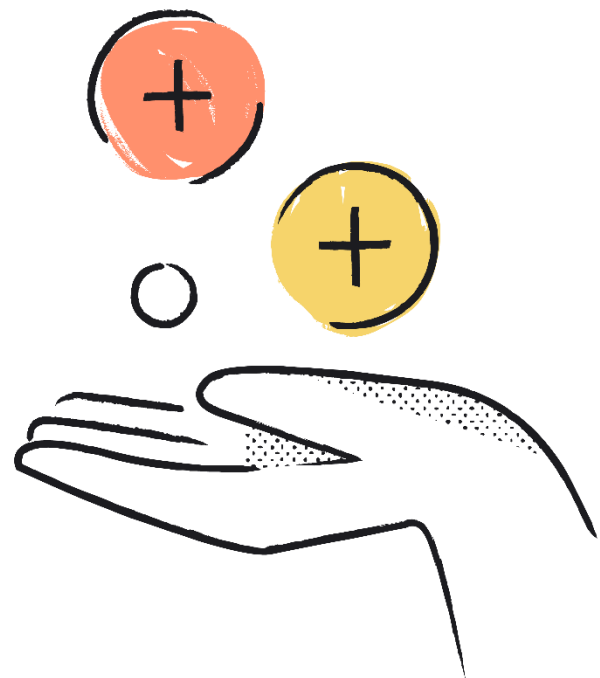
Over the last few years, our selective approach has helped our choices outperform a fixed basket of EP wines.

EP VINTAGE	2015	2016	2017	2018	2019	2020	2021
CW EP 40 index	42.86%	11.87%	-3.75%	1.03%	26.12%	3.64%	-4.23%
CWI EP Purchases Total Returns	46.80%	46.80%	7.20%	12.50%	29.30%	13.40%	8.10%

Source: Pricing data from Liv-ex as of 31 Mar 2023. Past performance is not a guarantee of future results.

Complementing the new 2022 wines with select Bordeaux back vintages is especially important now for three reasons:

- 1 Volumes**  
 Final volumes of the 2022 are expected to come below averages again, meaning demand for the top wines could outstrip supply more than usual.
- 2 Potential price increases**  
 Some EP wines may not meet our strict relative value criteria. We believe looking to back vintages is preferable if EP release prices don't leave room for onward growth.
- 3 Back vintage performance potential**  
 The relative outperformance of Burgundy and even Champagne over the past two years means many Bordeaux back catalogue wines appear attractive on a relative value basis.

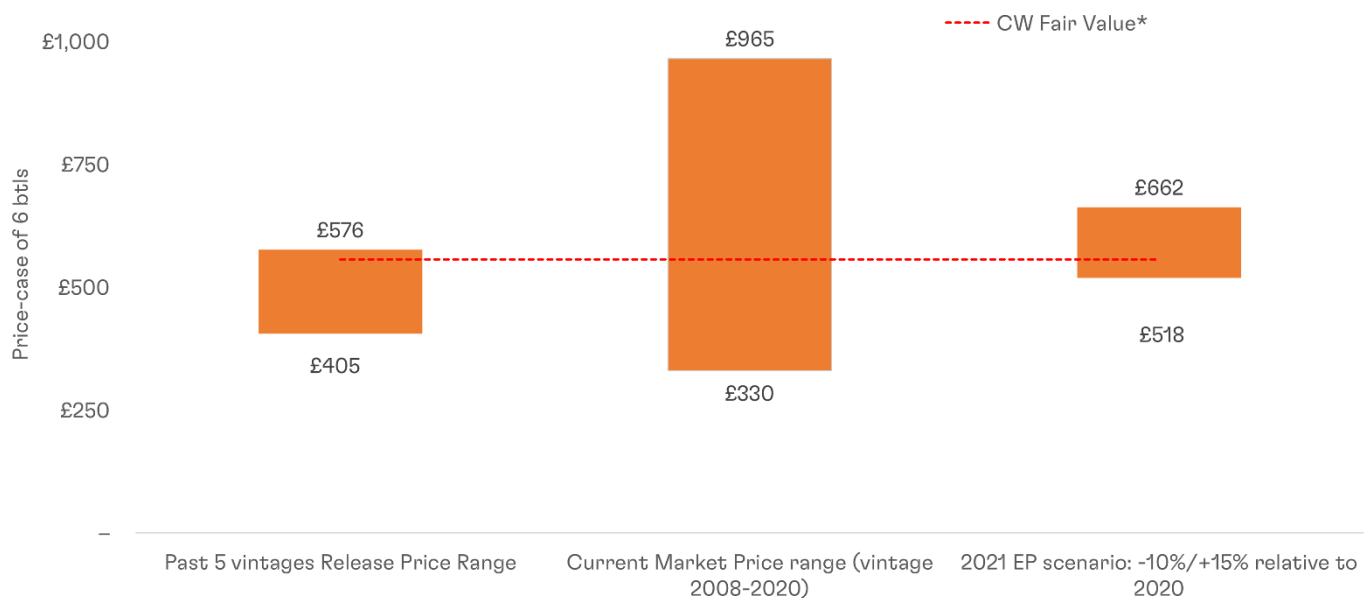


## OUR EP WINES ANALYSIS

Our proprietary football field analysis for each wine leads to a ‘fair value’ assessment for before each EP release, helping us decide whether to purchase and allocate the wine into clients’ Bordeaux Smart allocation.

The below example from last year shows that fair value for Chateau Canon’s 2021 EP release (red line) was at £556 (6x75cl). Therefore, our Smart Allocation price of £460 for 6x75cl offered room for onward performance. We will conduct a similar analysis on all the 2022 wines ahead of their EP releases this year.

### CHATEAU CANON 2021 EP FOOTBALL FIELD VALUATION



\*CW Fair Value is generated by our proprietary model, based on previous vintages score and price  
 Source: Pricing data from Liv-ex as of 10 May 2022.

The following points will factor into our football field analysis for 2022:

- Current market prices of 2009 – 2021 vintages.
- EP release prices (Ex-London open) of most recent five vintages.
- 2021 EP scenario: assumption on +/- % price change relative to 2021 release. Cult Wine Investment models a range of -15% to +15%.
- Price-over-Point (PoP) ratio: the relationship between a wine’s market price and critic score (Wine Advocate).



## 2022 VINTAGE QUALITY

In a nutshell, Bordeaux 2022 was a complicated vintage, yet one that has the potential for greatness. It's important to remember that each vintage is truly unique, and Bordeaux has been blessed with some great vintages over the past 15 years (2010, 2015, 2016 closely followed by the trilogy of 2018, 2019–2020). Early reports from critics and producers suggests that despite the challenges, the results are excellent and 2022 will be considered in the pantheon of top Bordeaux vintages.

The hot and dry weather conditions in 2022 should translate into powerful, concentrated and long-lasting Bordeaux wines. While critic scores and reports are yet to be released, the Conseil Interprofessionnel du Vin de

Bordeaux has described the 2022 vintage as 'very promising', and several leading Left Bank producers have stated that they expect a great vintage.

Several factors contributed to the high quality of wine produced during an extreme year. Temperatures were consistently above average from May onwards, resulting in all stages of the growth cycle moving forward. This helped maintain a long enough 'hang time' of the grapes, which is important for a balanced ripening. Harvesting began in late August and finished in mid-September under ideal dry conditions with cool nights. Some producers noted a surprising level of freshness and higher acidity levels than expected, even during a hot year."

"Bordeaux today is producing the best wines in its modern history."

— William Kelley, *The Wine Advocate*, March 2023

"Their 2022 wines can be flamboyant, fruity and tannic, yet they have a freshness and form that give them energy and vitality. And there was high quality from top to bottom."

— James Suckling, April 2023

"But let us assume for now that 2022 will be judged (as it has already been judged by some) an exceptional vintage, at least on a par with the trilogy 2018–2019–2020 and quite possibly greater than all three"

— Colin Hay, *Drinks Business*, April 2023

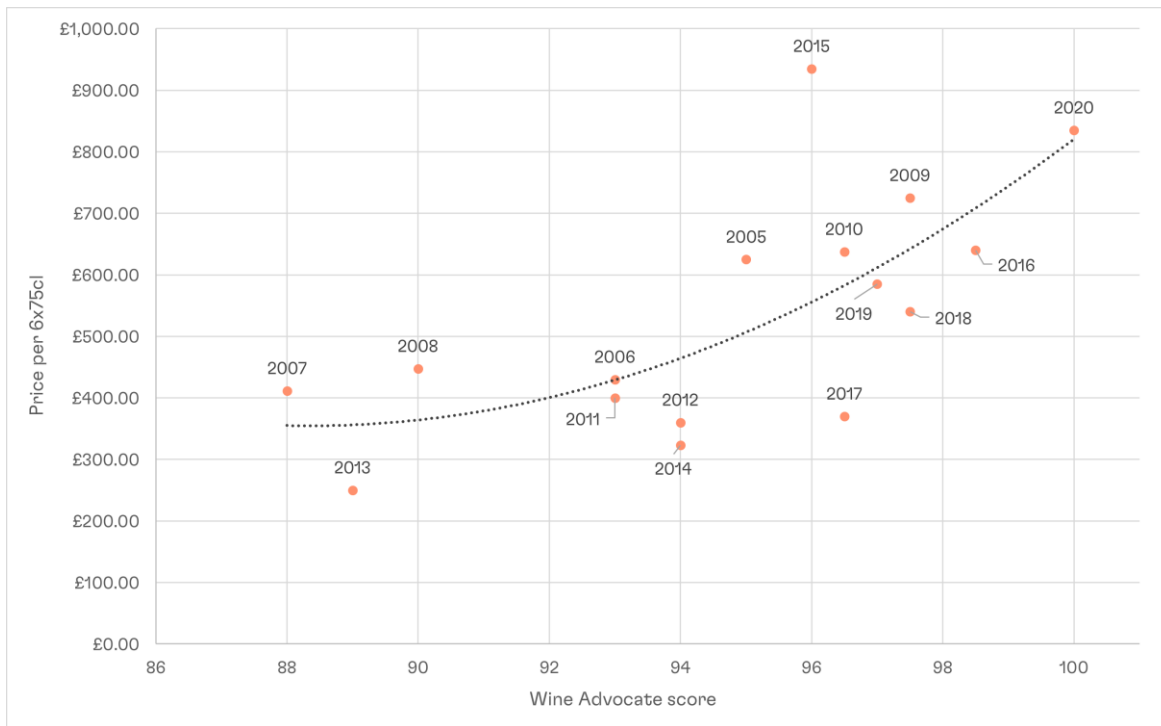


# OUR BACK VINTAGE ANALYSIS

The increased attention on the Bordeaux market around EP often results in a repricing of back vintages. We regularly analyse the back vintage curves of our target producers

to assess which vintages offer the best relative value. In the below Chateau Canon example, the 2017 and 2018 wines appear attractively priced relative to their scores.

## CHATEAU CANON BACK VINTAGE PRICES VS WINE ADVOCATE SCORES



Source: Pricing data from Liv-ex as of 19 Apr 2023. Scores from wineadvocate.com.

We are confident this analysis of the entire Bordeaux market alongside the new EP wines can increase the diversity and improve the risk-return profile of our Bordeaux Smart Allocation.



## WHAT WILL HAPPEN FOR CLIENTS:

We kindly ask interested clients who would like to participate in the Bordeaux Smart Allocation to commit a specified sum to the strategy by crediting these funds ahead of the final allocation to be made at the end of the campaign.

Due to excess demand and the possibility of low volumes we have put a cap of £10million on this allocation. The Bordeaux Smart Allocation opens the 25<sup>th</sup> of April 2023 on and will close when the cap is reached.

Participating investors will receive preferential access to a CWI allocated portfolio selected by our investment team.

## KEY CONSIDERATIONS:

- Cult Wine Investment (CWI)s Bordeaux Smart Allocation is the best way to invest in Bordeaux.
- Since the inception of the Cult Wine Investment Performance in October 2009, we have outperformed the Liv-ex 1000 index with a 206.30% return versus the Liv-ex 1000 134.26% (both through 31 Mar 2023).
- Investors have unique access to wines at the Cult Wine Investment Price.
- Allocations of the most attractive 2022 EP releases and back vintages will be automatically matched to your level of investment and portfolio objectives.

## PROCESS:

- The programme is open from the 25<sup>th</sup> of April 2023.
- Funds must be deposited to your account ahead of release to guarantee your allocation.
- Bordeaux Smart Allocation will close once the cap of £10million is reached.
- Minimum investment: £10,000.00.
- Maximum investment: £250,000.00.
- Final allocation of wines for the Bordeaux Smart Allocation will be made at the end of the campaign.

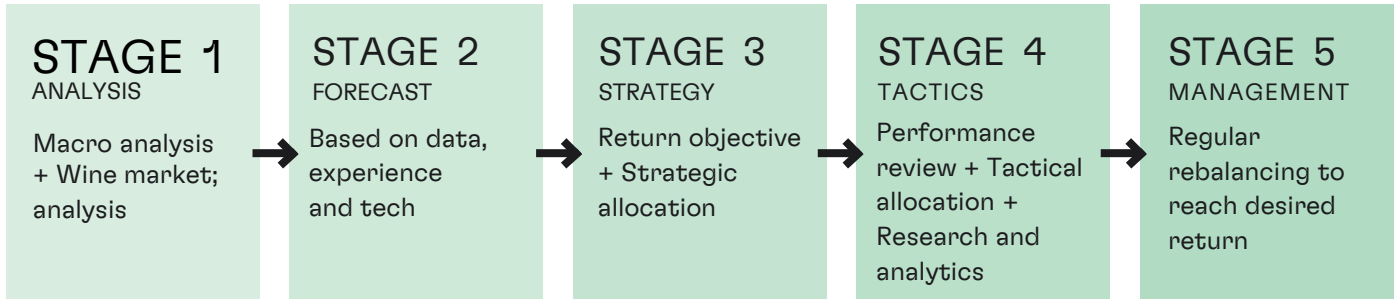
Disclaimer: Past performance is not indicative of future success; the performance in this document was calculated in GBP and will vary in other currencies. Any investment involves risk of partial or full loss of capital. The Cult Wines Index is a hypothetical tool. The results depicted here are not based on actual trading and do not account for the annual management fees that may be charged to a Cult Wines customer which ranges from 2.95% to 2.25% depending on the size of the portfolio, and there is no guarantee of similar performance with an investor's particular portfolio.

# INVESTING CRITERIA

We invest in a strict selection of fine wines that meet our investment criteria:



# OUR FIVE STAGES TO PORTFOLIO MANAGEMENT



## INVESTMENT COMMITTEE

Insight from major markets and expertise from research and buying & trading



Tom Gearing  
CEO



Tom Turner  
Trading & Purchasing Director



Olivier Staub, CFA  
Chief Investment Officer



Aarash Ghatineh  
Chief Revenue Officer



Hermione Egerton-Smith  
Senior Fine Wine Buyer



Yijun (Lena) Lu, CFA  
Portfolio Manager



Atul Tiwari  
CEO of Cult Wines Americas



Nico Monroy  
Director of South East Asia



Joe Alim  
Director of Greater China

**LONDON**

The Clockwork Building,  
45 Beavor Lane,  
London W6 9AR  
T: +44(0)207 1000 950  
E: [info@cultwines.com](mailto:info@cultwines.com)

**NEW YORK**

Suite 1116,  
200 Park Avenue South  
New York, NY, 10003  
T: +(914) 491 8417  
E: [us@cultwines.com](mailto:us@cultwines.com)

**SINGAPORE**

9 Battery Road,  
#09-01 MYP Centre,  
Singapore 049910  
T: +65 6909 8170  
E: [singapore@cultwines.com](mailto:singapore@cultwines.com)

**TORONTO**

110 Cumberland Street  
Suite 333  
Toronto, Ontario, M5R 3V5  
T: 1855 808 CULT (2858)  
E: [canada@cultwines.com](mailto:canada@cultwines.com)

**HONG KONG**

1001B -2, Kinwick Centre,  
32 Hollywood Road,  
Central, Hong Kong  
T: +852 2818 0899  
E: [hongkong@cultwines.com](mailto:hongkong@cultwines.com)

**SHANGHAI**

2441 CITIC Square,  
1168 Nanjing West Road,  
Shanghai 200041  
T: +86 21 6085 3559  
E: [china@cultwines.com](mailto:china@cultwines.com)

**DUBAI**

EO2  
Sheikh Rashid Tower  
Dubai World Trade  
Centre Dubai  
T: +971 585 915 189  
E: [dward@cultwines.com](mailto:dward@cultwines.com)

[wineinvestment.com](http://wineinvestment.com)  
Co. Reg No. 6350591