

CECILIA BERE... VALPOLICELLA CLASSICO SUPERIOR TERRE DI CARIANO... CHAPOUTIER
CHAPPELLE MEAL - GUIGAL COTE ROTIE TURQUE - JOSEPH FAIVELEY MAZIS CHAMBERTIN - LEVILL
TORTON - TORBRECK RUN RIG - GUSBOURNE BLANC DE BLANCS - PONSOT CHAPPELLE CHAMBERTIN
CRICHEBOURG - LYNCH BAGES - BOUTISSE - DUCRU BEAUCAILLOU - MEYNE - PETIT MOUTON
DOMAINE LEFLAIVE BATARD MONTRACHET - TROTTEVILLE - PELICAN ARBOIS SAVAGIN QUILLE
MIRAVAL COTES DE PROVENCE ROUGE - BEAUSEJOUR DUFFAU - PONSOT CLOS ROCHE VV
SASSICAIA - LAMBRAYS CLOS LAMBRAYS - POULJEUX - DOMAINE LEFLAIVE BIENVENUES BATARD
MONTRACHET - LATOUR - ARMAND ROUSSEAU CHARMES CHAMBERTIN - MOET & CHANDON
DOM PERIGNON - DOMAINE LEROY CLOS VOUGEOT - BAHANS HAUT BRION - BENJAMIN
OUX PULIGNY MONTRACHET CHAMP GAIN - MASSETO - MICHEL OGIER COTE ROTIE
GAJA SORI SAN LORENZO - GAZIN (POMEROU) - TUA RITA REDIGAFFI - LAVILLE HAUT
FARGUES - BIONDI SANTI BRUNELLO MONTALCINO RISERVA - SAINTYME
PENFOLDS GRANGE - GEORGES NOELLAT NUITS SAINT GEORGES CRAS - HARLAN
PROPRIETARY RED - FELTON ROAD RIESLING BLOCK 1 - JOSEPH FAIVELEY
CHAMBERTIN CLOS DE BEZE - ARLOT ROMANEE SAINT VIVANT - CLOS ST JEAN
ATEAUNEUF DU PAPE DEUS EX MACHINA - EVANGILE - PONSOT GRIOTTE
CHAMBERTIN - CLOS PAGES CHATEAUNEUF DU PAPE - BEYCHEVELLE - CLOS
FURTE - TAITTINGER COMTES CHAMPAGNE - FELTON ROAD PINOT NOIR
POINT - DOMAINE LEROY CORTON CHARLEMAGNE - FELTON ROAD
OT NOIR CALVERT - JOSEPH DROUHIN GRIOTTE CHAMBERTIN - KRUG
VINTAGE BRUT - MOET & CHANDON DOM PERIGNON ROSE - TIGNANELLO
BASSERMANN JORDAN JESUITENGARTEN GROSSES GEWACHS - PICHON
BARON - MALARTIC LAGRAVIERE - DOMAINE LEROY VOSNE ROMANEE
BEAUMONTS - ECHO LYNCH BAGES - DRC ROMANEE CONTI - GUIGAL
COTE ROTIE LANDONNE - RUINART DOM RUINART - COMTES LAFON
MEURSAULT GOUTTE D'OR - LEVILL LAS CASES - CANON GAFFELIERE
CANTEMERLE - CHAPPELLE AUSSONE - DRC ECHEZEAUX - FLEUR PETRUS
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VALERIE MONTRACHET - LASCOMBES - DUJAC CLOS ROCHE
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FOURIER GEVREY CHAMBERTIN CLOS ST JACQUES - LOUIS
RODERER CRISTAL ROSE - DOMINUS - CHAPOUTIER ERMITAGE BLANC
PAUL JABOULET AINE HERMITAGE CHAPPELLE - FELTON ROAD
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D'ESTOURNEL - LEVILL PUYFERRE - PINGUS - HENRI JAYER NUITS
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SIGNY CRAS - RAUZAN SEGLA - BRUNO GIACOSA BAROLO
LETTIG - DUJAC ECHEZEAUX - DOMAINE JEAN-LOUIS CHAVE
ERMITAGE BLANC - CARRUADES LAFITE - VIEUX CHATEAU CERTAN
LAFLEUR - JACQUES FREDERIC MUGNIER CHAMBOLLE MUSIGNY
AMOREUSES - PALMER - CHEVAL BLANC - ARROSEE - JOSEPH
DUHIN BONNES MARES - BOLLINGER RD - JACQUES FREDERIC
MUGNIER MUSIGNY - VOUGERAIE BONNES MARES - LOUIS ROEDER
STAL - PETIT VILLAGE - GUIGAL COTE ROTIE MOULINE
JOSEPH DROUHIN MUSIGNY - HAUT BATAILLER - ARMAND ROUSSEAU
CHAMBERTIN - CHAPOUTIER ERMITAGE PAVILLON - AUSONE - ROCHE
LENE CLOS ROCHE - PICHON LALANDE - FRATELLI ALESSANDRIA
LOLO GRAMOLERE - PEDESCLAUX - BRANCAIA BLU - BRUNO
GIACOSA BARBARESCO ASILI - CROIX BEAUCAILLOU - DOME - COMTE
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EAGLE - TAITTINGER COMTES CHAMPAGNE ROSE - DOMAINE LEROY
TS SAINT GEORGES BOUDOTS - DOMAINE JEAN-LOUIS CHAVE
ERMITAGE - CLOS MARQUIS - FREDERIC MAGNIEN GEVREY
CHAMBERTIN CAZETIERS - POL ROGER SIR WINSTON CHURCHILL
PAVIE MACQUIN - LAFITE ROTHSCHILD - SOLAIA - BEAUCASTEL
CHATEAUNEUF DU PAPE - QUINAULT LENCLOS - MOUTON
ROTHSCHILD - SUDIRAUT - MALARTIC LAGRAVIERE BLANC - GAJA
BARBARESCO - PHILIPPONNAT CLOS GOISSES BRUT - ANGELUS
DOMAINE CHEVALIER - MONTLANDRIE - COMTES LAFON MEURSAULT
ARMES - SALON MESNIL - PETRUS - CONSEILLANTE - HENSCHKE HILL
GRACE SHIRAZ - SAN GIUSTO PERCARLO - PONTET CANET - FELTON
AD PINOT NOIR BANNOCKBURN - MONTROSE - PIN - BRUNO
GIACOSA BAROLO ROCCHIO FALLETTO - GIACOMO CONTERNO
OLO RISERVA MONFORTINO - PEBY FAUGERES - CHAPOUTIER
MITAGE BLANC ERMITE - PAVIE - CLARENDON HILLS ASTRALIS
SHIRAZ - CASANOVA DI NERI BRUNELLO MONTALCINO TENUTA NUOVA
SAINT PIERRE - VEGA SICILIA UNICO - MARGAUX - TORTOCHOT
CHAMBERTIN - BOLLINGER GRANDE ANNEE - COUTET (BARSA)
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CLERC MILON - CHAPOUTIER ERMITAGE ERMITE - HOSANNA - HAUT
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FILS LATRICIERES CHAMBERTIN - BEAUCASTEL CHATEAUNEUF DU PAPE
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PONSOT CLOS VOUGEOT VV - EGLISE CLINET - FORTS LATOUR
RIEUSSEC - CALON SEGUR - GEORGES ROUMIER BONNES MARES
DUJAC CLOS SAINT DENIS - FIGEAC - YQUEM - HENRI JAYER VOSNE
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CONFURON ROMANEE SAINT VIVANT - CLIMENS - ORNELLAIA
DOMAINE LEROY NUITS SAINT GEORGES LAVIERES - PAPE CLEMEN
BERNARD DUGAT-PY CHAMBERTIN - FOURRIER GRIOTTE CHAMBER
VV - BONNEAU MARTRAY CORTON CHARLEMAGNE - COMTE VOG
MUSIGNY VV - PETER SISSECK (ALNARDO) PSI - DOMAINE LER
VOLNAY SANTENOTS - GIACOMO CONTERNO BAROLO CERRETTA
PAVILLON ROUGE - TROPLONG MONDOT - JEAN NOEL GAGNARD
CHASSAGNE MONTRACHET BOUDRIOTTE ROUGEVALANDRAUD
COMTE VOGUE CHAMBOLLE MUSIGNY - LUNE ARGENT - GRAND P
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PAGES CHATEAUNEUF DU PAPE - BEYCHEVELLE - CLOS FURTE - TAITTINGER
COMTES CHAMPAGNE - FELTON ROAD PINOT NOIR CORNISH POINT - DOMAINE
LEROY CORTON CHARLEMAGNE - FELTON ROAD PINOT NOIR CALVERT - JOSEPH
DROUHIN GRIOTTE CHAMBERTIN - KRUG VINTAGE BRUT - MOET & CHANDON
DOM PERIGNON ROSE - TIGNANELLO - BASSERMANN JORDAN JESUITENGARTEN
GROSSES GEWACHS - PICHON BARON - MALARTIC LAGRAVIERE - DOMAINE
LEROY VOSNE ROMANEE BEAUMONTS - ECHO LYNCH BAGES - DRC ROMANEE
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AINE HERMITAGE CHAPPELLE - FELTON ROAD FELTON ROAD PINOT NOIR
BLOCK 5 - SMITH HAUT LAFITTE - COS D'ESTOURNEL - LEVILL PUYFERRE -
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- FOURRIER GRIOTTE CHAMBER VV - BONNEAU MARTRAY CORTON
CHARLEMAGNE - COMTE VOG MUSIGNY VV - PETER SISSECK (ALNARDO)
PSI - DOMAINE LEROY VOLNAY SANTENOTS - GIACOMO CONTERNO
BAROLO CERRETTA - PAVILLON ROUGE - TROPLONG MONDOT - JEAN NOEL
GAGNARD CHASSAGNE MONTRACHET UDRIOTTE ROUGEVALANDRAUD -
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CULT WINES

SOLUTIONS FOR FINE WINE

FINE WINE INVESTMENT GUIDE



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About Cult Wines



Since 2007, Cult Wines has developed a reputation as one of the leading fine wine investment companies. Our service has been valued by private investors and collectors across more than 70 countries worldwide.

We were ranked 40th in the Sunday Times' Fast Track 100, Fastest Growing Private Companies in the UK list in 2015 and 2017, 37th and 42nd in its SME Export Track 100 in 2016 and 2017 and ranked 39th in its International Track 200 in 2018.

Managing Director Tom Gearing has featured in Spear's 500 in both 2017 and 2018. The list features the 500 top wealth management and private-client individuals in the UK.

In 2017 Cult Wines received the prestigious Queen's Award for Enterprise: International Trade.

Far-reaching insight, market outperformance and a strong focus on maintaining high levels of customer service are the hallmarks that have established our reputation as market leaders.

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

The company has a wide-reaching global influence, with an overseas offices in Hong Kong, Shanghai and Singapore as well as new headquarters and event space in Hammersmith, London.

Our guide to investing in fine wine serves to provide the reader with a general introduction to this unique asset class touching on the fundamentals of how it works, what the benefits are and why it has been one of the best performing alternative investments over the past 30 years.



Editorial

Message from the Directors

We are here to make investing in wine simple and profitable.

Cult Wines offers industry leading fine wine investment and collection management services to a international audience. We take great pride in our global outreach, which has over the past ten years seen us advise private clients in over 70 countries worldwide culminating in us opening our first overseas office in 2016.

Today Cult Wines is one of the world's leading specialist wine investment companies, providing customers with a simple, transparent and effective way to invest in the fine wine market.

Our bespoke portfolio management service is designed solely around you. Your wine portfolio is tailored to your risk appetite, investment term and target returns. Our simple model allows you to benefit from our expertise without having to become an expert yourself.

Whether a newcomer or experienced collector, our team is available to help you whatever your requirements, offering a truly unique insight into a specialist market.

At Cult Wines we understand that in a climate of record low interest rates, financial market volatility and an uncertain global economy. Investors like you are looking for alternative sources of return.

Cult Wines truly believes in fine wine as a genuine alternative asset class, which provides significant diversification benefits from mainstream financial markets. Not only can the sector provide you with strong returns under expert guidance but it is also an enjoyable, collectible, tangible asset that has an exciting future.

*“Simple.
Enjoyable.
Profitable.”*

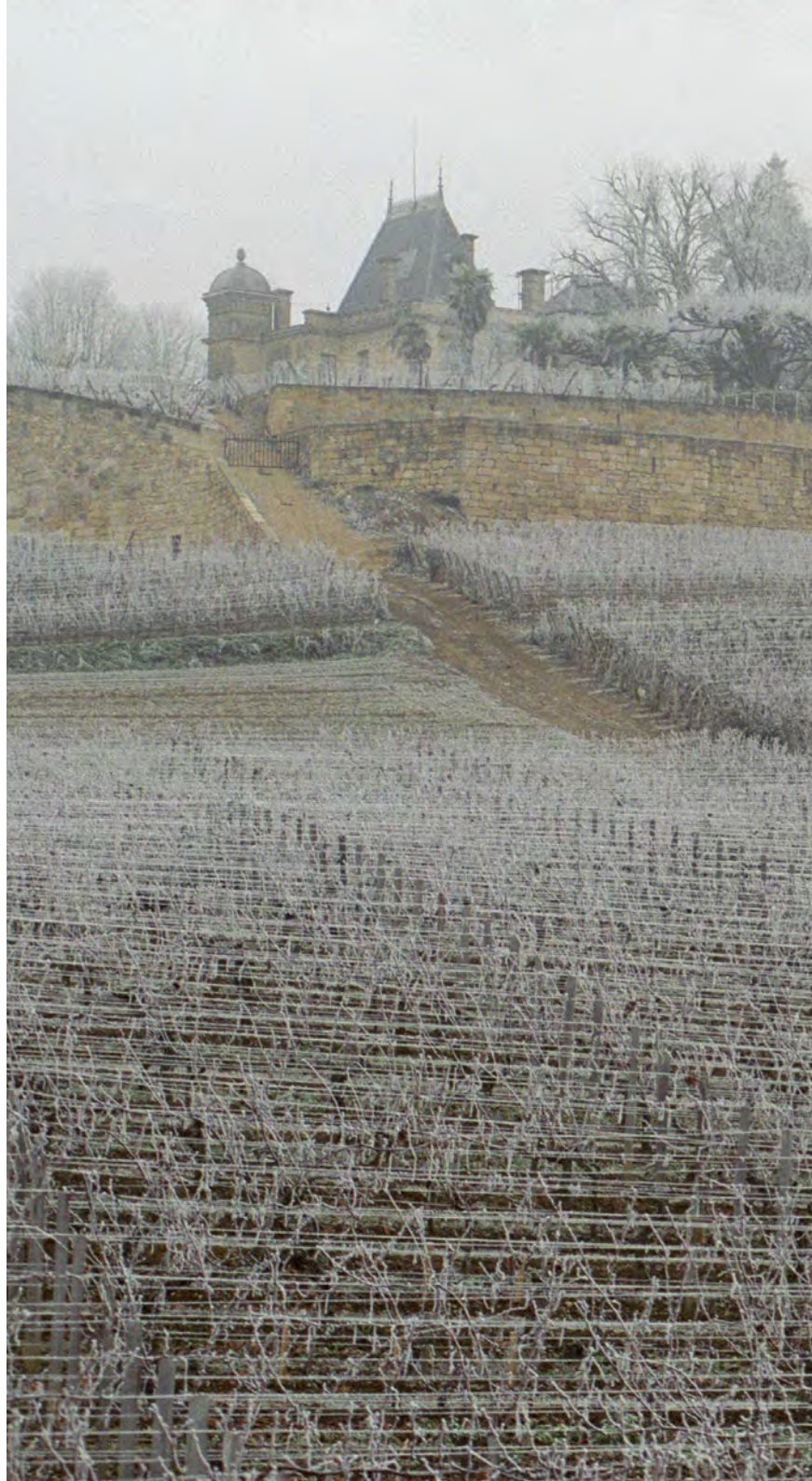
What we believe wine investment should stand for.



Thomas Gearing
Co-founder & Managing Director



Philip Gearing
Co-founder & Chairman





Wine as a 'Passion Asset'

Luxury Investment & Significant Growth

The global financial crisis, market volatility and record interest rate lows over the past decade has led to an increased demand for more diversified investments, particularly physical assets that have intrinsic value, where supply is limited.

These so-called 'passion assets' – which include items such as fine wine, art, classic cars, coins, jewellery and antiques – offer no income stream to which traditional valuation techniques can be applied. Their primary purpose is enjoyment, but they are nonetheless playing an increasingly pivotal role on the alternative investment landscape.

Unique qualities, limited supplies and of course the thrill of owning a sought-after physical object make passion assets attractive from a collector's perspective, but as Coutts private bank, acknowledges, their investment performance is difficult to ignore.

Its Object of Desire Index – which includes 15 passion assets across two broad categories, trophy property and alternative investments (which are broken down into fine art, collectibles and precious items) as reported in their 2017 figures, rose by an impressive 76.6% since the beginning of 2005 when the index began.

Meanwhile, the Knight Frank Luxury Investment Index has shown significant growth across nearly every item class, with fine wine experiencing a 192% growth in the 10 years from Q4 2007 to Q4 2017.

Furthermore, the Knight Frank 2018 Wealth Report states that over 68% of the respondents to its annual Attitudes Survey said their high net worth clients were becoming more interested in collecting investments of passion.

Introduction to Wine Investment

Centuries Old Excellence

The history of the world's most famous vineyards goes back centuries, and the winemaking excellence that has evolved from these unique terroir ensures that story continues today.

The world's greatest vineyards situated on the Cote d'Or in Burgundy and the most majestic of Chateaux located on the banks of the River Gironde in Bordeaux continue to encapsulate, enchant and deliver a unique experience to collectors and connoisseurs alike.

It is within these great winemaking regions that strict guidelines and rules are in place, both to control the quality and limit the production, in order to maintain the centuries old reputation of unique winemaking.

This includes restrictions as to the specific geological area where the fruit is grown and the wine is made. There are also specific, agreed upon production methods, minimum levels of alcohol and maximum levels of yields, vine age and required minimum vineyard planting densities.

As a result, the wines that are the most prevalent on the secondary fine wine market, those that constitute the investment grade market (less than 1% of fine wine produced) are also the wines in shortest supply.

Therefore owning, collecting and investing in the world's greatest wines is not a new phenomenon. The fundamental demand and supply imbalance that underpins this market has always seen prices for the greatest fine wines appreciate.

The luxury aspect of fine wine has meant that in recent times a new breed of wine collector has appeared in the market. Due to increasing wealth and a proliferation of high net worth individuals in Asia Pacific, this new demand for fine wine has only further exacerbated the already existing supply/demand imbalance, placing greater pressure on liquidity and therefore prices.

With the emergence of new markets expected over the next decade against a backdrop of increasing global consumption the delicate balance of managing supply and demand has never been more acute, probably in the entire history of the fine wine market.

“The fundamental demand and supply imbalance that underpins this market has always seen prices for the greatest fine wines appreciate”





Supply and Demand

The fundamentals of fine wine investing come down to two factors: supply and demand: as fine wine matures and improves with age, it becomes more desirable – and therefore valuable – over time, while the consumption of fine wines increases the rarity of certain vintages, pushing the price up as more investors seek out fewer bottles. And the situation is compounded by an ever increasing global demand for this particular asset.

In fact, international banking firm Morgan Stanley has published a report on the status of the global wine market, concluding that a worldwide shortage of wine is imminent. Demand is already exceeding supply, and in 2012 the shortfall amounted to some 300 million cases.

Their statistics show that global wine consumption has been rising steadily since 1996 – except for a modest fall between 2008 and 2009 in the wake of the financial collapse – and currently stands at around 3 billion cases. By comparison, total production is estimated at 2.8 billion cases, despite global wine production reaching a seven-year high in 2013.

The system of various Appellations d'Origine Contrôlée (AOC) strictly limits which wines can be grown and where, and how they are classified, which also restricts the volume available – there are no more grand cru vineyards to expand into in Bordeaux, for example. The same applies in Burgundy where grand crus and premier cru vineyards are fixed and limited in size, and so some producers of grand crus in Burgundy make only one or two barrels in a vintage.

In fact, in the 20 years to 2011, production in the great estates has been flat to down, a phenomenon which has been compounded by the fact that producers have become more quality conscious. With the best vintages historically providing the best returns, and the increasing transparency of the market with information on tastings and critic scores evermore easily accessible, it would seem that producers have recognised how essential it is to maintain and improve the excellence of their brands.

Indeed, according to the Wine Institute, wine production in France, the biggest producer of fine wine, dropped by 12.52% in the years from 2009 to 2012. This means that the best wines are highly restricted in supply and face increasing demand, which has pushed their value ever higher.

Determining Value

The price of a fine wine can be affected by a number of factors, well beyond the simplicity of it being heralded as a good vintage from a reputable producer.

The market is constantly evolving; more information is available to collectors than ever before –including a wealth of statistical data – upon which to base purchasing decisions.

At Cult Wines, we consider the following criteria to be a minimum benchmark by which to judge a wine's value and investment potential.

1. Brand
2. Producer History
3. Vintage Quality
4. Critic Score
5. Vintage Production
6. Supply (availability on the market)
7. Historical price performance
8. Comparative price analysis
9. Market Trends
10. Drinking Window
11. Scheduled re-scores

The degree of importance that we place on these differing criteria varies, but are all vital in building up a picture of a wine's investment merit.

By combining both quantitative and qualitative analysis we are able to determine where there may be an opportunity to buy an undervalued wine or one which is in line for price growth, and by understanding how each of the criteria can impact upon a wine's price evolution our specialist advisors can determine which wines are best suited to your personal portfolio.

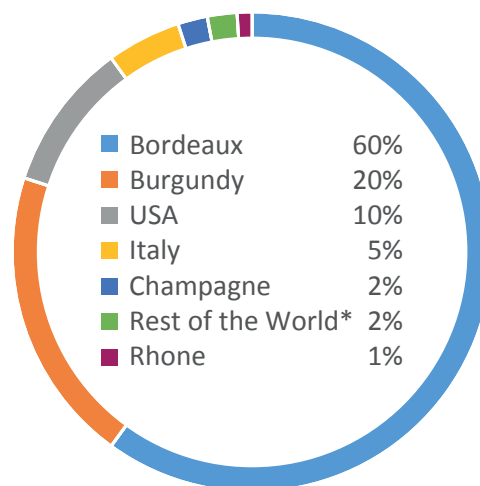




Investment-Grade Wines

Investment-grade wines can come from regions all over the world, but those that can be deemed 'fine wine' are subject to strict controls. Regulations vary from country to country, but are generally enshrined in law, with some classifications dating back more than 100 years.

It's no surprise; given its illustrious winemaking history that France is home to the largest proportion of investment grade wines. The adjacent graphic demonstrates the current geographical split of investment grade wines by region.



** Australia, Spain and Germany*

What is Liv-ex?

Liv-ex, also known as the London International Vintners Exchange, is the best-known wine trading platform in the world, providing real-time and historic data and 35,000 price updates daily. It's the wine investment industry's leading reference point, channelling more than £28 million worth of bids and offers every day. The exchange has over 400 global members, of which Cult Wines is one.

Liv-ex is known within the industry to provide the most reliable pricing data for valuation purposes. Cult Wines uses its valuation services to provide independent, accurate daily updated prices across all client portfolios.

LIV | EX
THE FINE WINE MARKET

Why Invest in Fine Wine?

Investing in fine wine brings a raft of benefits. To start with, the addition of a new asset such as fine wine to an investment portfolio provides important diversification, which mitigates risk and reduces levels of volatility – wine is a tax-free asset that performs consistently while providing portfolio protection in a way that traditional financial assets fail to offer.

Fine wine investment can act as a defensive holding as it has the capacity to remain stable under difficult economic conditions. It has the advantage of not necessarily following the general trend of lagging behind the rest of the market during economic expansion because demand is consistently strong.

Real assets remain an attractive option as they tend to change in value independently of the core financial markets. Of course, returns are important, and as academic research has shown, fine wine has historically produced long term average returns in the region of 13% per annum, while also showing a low correlation with traditional financial assets.



A comparison between wine market performance and that of global equities shows that during periods of economic deterioration, wine has performed significantly better. At times when economies and financial markets have suffered, trending downwards, wine has provided recessionary proof characteristics, thus highlighting the underlying benefit of investing in a physical, tangible asset. Equities can go bust and bonds can default, but a bottle of Mouton Rothschild will always be a bottle of Mouton Rothschild!

And, as we've already examined, the main driver behind price appreciation is the supply and demand imbalance that will consistently drive prices upwards.



The Tax Status of Fine Wine



Kay Aylott
Reeves & Co LLP

Kay is a senior manager in the private client and trust group at Reeves & Co LLP, based in its Canterbury office.

In addition to advising clients on the taxation of Heritage assets, she specialises in the provision of Inheritance Tax planning solutions and advises clients on the complexities of the UK taxation of offshore trusts. In 2012 Kay spent a short period on secondment with the Christie's Heritage and Taxation Advisory Service.

“The legislation relating to wasting assets and the capital gains exemptions has remained unchanged since 1992. While legal precedents have been set in recent years, none has received the level of press coverage that resulted in a recent Upper Tribunal case. In this article we will revisit the rules as we understand them based on current legislation.”

So what exactly is a ‘wasting asset’? The answer lies in Taxation of Chargeable Gains Act 1992 (TCGA 1992) section 44 as follows:

44 MEANING OF ‘WASTING ASSET’

1. In this chapter, ‘wasting asset’ means an asset with a predictable life not exceeding 50 years but so that-

a. freehold land shall not be a wasting asset whatever its nature, and whatever the nature of the buildings or works on it;

b. ‘life’, in relation to any tangible moveable property, means useful life, having regard to the purpose for which the tangible assets were acquired or provided by the person making the disposal;

c. plant and machinery shall in every case be regarded as having a predictable life of less than 50 years, and in estimating that life it shall be assumed that its life will end when it is finally put out of use as being unfit for further use, and that it is going to be used in the normal manner and to the normal extent and is going to be so used throughout its life as so estimated;

d. a life interest in settled property shall not be a wasting asset until the predictable expectation of life of the life tenant is 50 years or less, and the predictable life of life interests in settled property and of annuities shall be ascertained from actuarial tables approved by the Board.¹

As the name suggests, a wasting asset is likely to reduce in value over its predictable life and at the end of that life it will have scrap or residual value only.

When assessing if an asset other than plant or machinery has a predictable life of less than 50 years, regard should be had to section 44 (1) (b) above which defines ‘life’ as a predictable useful life ascertained at the time the asset is purchased and not on its eventual disposal.

An example would be the purchase of a bottle of fine wine. The wine would usually have a predictable useful life of less than 50 years but may in fact still be drinkable some 60 years on. A disposal of the very drinkable wine 60 years after its purchase will not retrospectively alter its status as a wasting asset.

45 EXEMPTION FOR CERTAIN WASTING ASSETS

1. Subject to the provisions of this section, no chargeable gain shall accrue on the disposal of, or an interest in, an asset which is tangible moveable property and which is a wasting asset.

2. Subsection (1) above shall not apply to a disposal of, or an interest in, an asset-

a. if, from the beginning of the period of ownership of the person making the disposal to the time when the disposal is made, the asset has been used and used solely for the purpose of a trade, profession or vocation and if that person has claimed or could have claimed any capital allowances in respect of any expenditure attributable to the asset or interest under s 38(1)(a) or s 38(1)(b); or

b. if the person making the disposal has incurred any expenditure on the asset or interest which has otherwise qualified in full for any capital allowance.²

The above provisions generously provide a complete exemption for gains accruing on wasting assets provided the asset has (a) not been used solely in a business and has been eligible for capital allowances or (b) no expenditure on the asset has qualified for capital allowances.

The provisions of s 44 and s 45 are most valuable for our private clients holding assets personally and not carrying on a trade. I will now examine the definition of fine wine and plant and machinery further in order to demonstrate circumstances where the relief may or may not be available.

¹ See Taxation of Chargeable Gains Act 1992 for section 44 in full. ² See Taxation of Chargeable Gains Act 1992 for section 45 in full.

“The wine would usually have a predictable useful life of less than 50 years but may in fact still be drinkable some 60 years on.”

Introduction to Wine Investment

In most circumstances, any gain on the disposal of wine will be exempt from CGT as the relevant criteria under s 44 can be met;

i.e. the asset is a tangible moveable asset and it is an asset with a predictable life at the time of acquisition not exceeding 50 years.

HMRC's general agreement that the wasting asset exemption is in point is set out in their Capital Gains Tax Manual CG76901. In the manual, HMRC acknowledges that cheap table wine will definitely be a wasting asset as it is likely that it will, in its words, turn to 'vinegar' within a relatively short period even if unopened.

HMRC states that in the case of a port and other fortified wines such as Madeira and Cognac, which can have a very long storage life, the wasting asset exemption will not apply.

Between the extremes of table wines and fortified wines there are fine wines which generally mature rather than deteriorate over time but are usually ready to drink in less than 50 years.

It must be borne in mind that TCGA 1992 s 44(1)(b) states that the point at which the predictable life of a wine is tested is at the time the wine is acquired by the person disposing of it.

As an example, if we consider the imperial bottle of 1947 Cheval-Blanc sold by Christie's in 2010 for a staggering £192,000, we can assume that on a subsequent sale, the owner could claim the exemption under TCGA 1992 s 45(1) on the basis that, at the time of acquisition in 2010, the wine did not have an expected further useful life of 50 years or more.

It remains to be seen if this 1947 vintage remains drinkable beyond 2060! HMRC contends that where the facts justify it, the exemption will not apply to fine wines which are not unusually kept for substantial periods.

But in reality, most fine wines, even the top end Bordeaux vintages, will be ready to drink in 20 to 40 years and should therefore qualify for the exemption. But as noted above, should the wine remain drinkable some 60 years later this should not jeopardise the availability of complete exemption from CGT.

*“Fine wines
have been known
to outperform
the FTSE100
and Dow Jones,
offering significant
returns for
investors, and
under current
legislation these
returns can be
enjoyed free from
CGT.”*





What about Brexit?

There's no doubt that the announcement of Brexit has had an impact on financial markets around the globe, and indeed it may well create general market uncertainty over the coming years.

However, in periods of economic crises, wine remains a reliable and stable investment:

- Fine wine is priced in GBP but the majority of buyers are abroad (China, USA and Japan, for example). A weaker sterling makes wine cheaper in buyers' local currency, which stimulates demand.
- Fine wine has proven to be less volatile than equities, implying a lower level of market risk.
- The long-run correlation between wine prices and the FTSE 100 is just 0.04.
- Physical assets traditionally perform well in periods of economic uncertainty as they act as a 'store of value'.

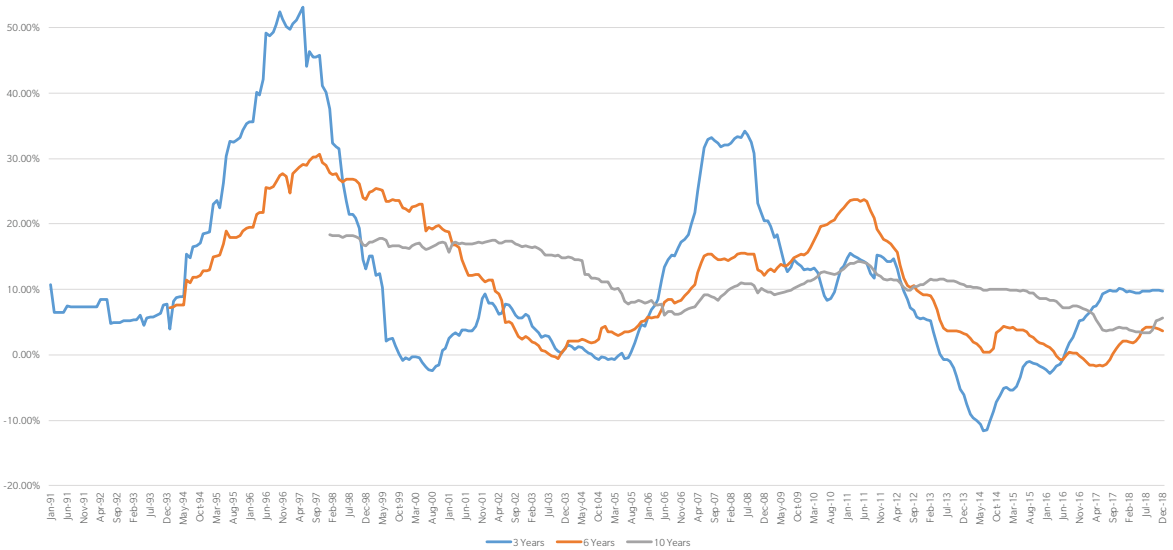
“... in periods of economic crises, wine remains a reliable and stable investment.”

Wine Market Performance

LVXINV CAGR Since 1988

The Liv-ex Fine Wine Investables Index (LVXINV) tracks the most 'investable' wines in the market. The graph shows the Compound Annual Growth Rate (CAGR) of fine wine since 1988 across a three, six and 10-year period.

CAGR	3 yr	6 yr	10 yr
Min	-11.62%	-1.75%	3.38%
Max	53.11%	30.60%	18.40%
Average	11.70%	11.82%	11.55%
Std Devn	13.91%	9.10%	4.11%

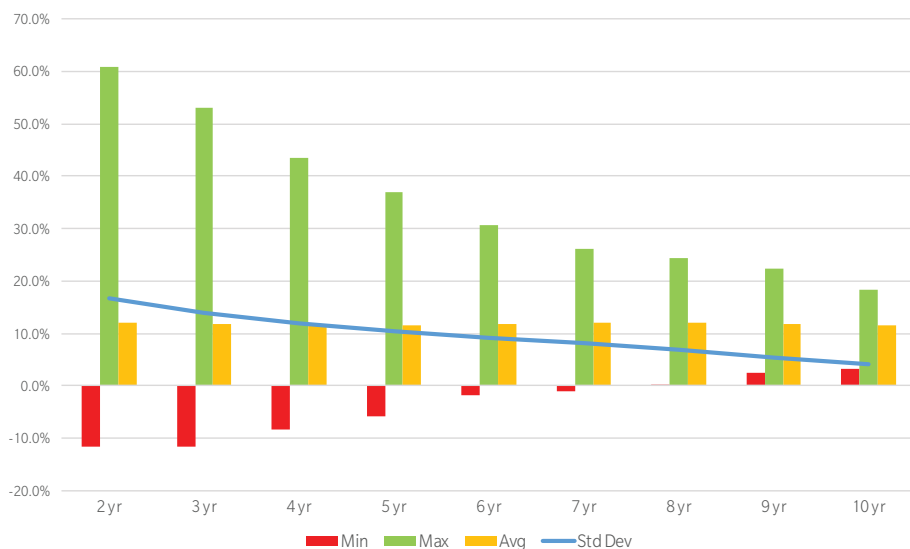


Wine Market Performance

As these figures show, the longer you hold on to a fine wine, the more consistent returns become. This is because, over the long-term, the demand-supply imbalance is exacerbated by increasing consumption and subsequently decreasing availability, and therefore wines become more desirable due to rarity, plus improving quality as they age.

As the 10-year line (grey in left hand graph) indicates, fine wine has never shown a negative return over a 10-year hold, averaging 11.55% growth with a standard deviation of 4.12%, highlighting the low volatility of wine as an asset.

“...highlighting the low volatility of wine as an asset.”

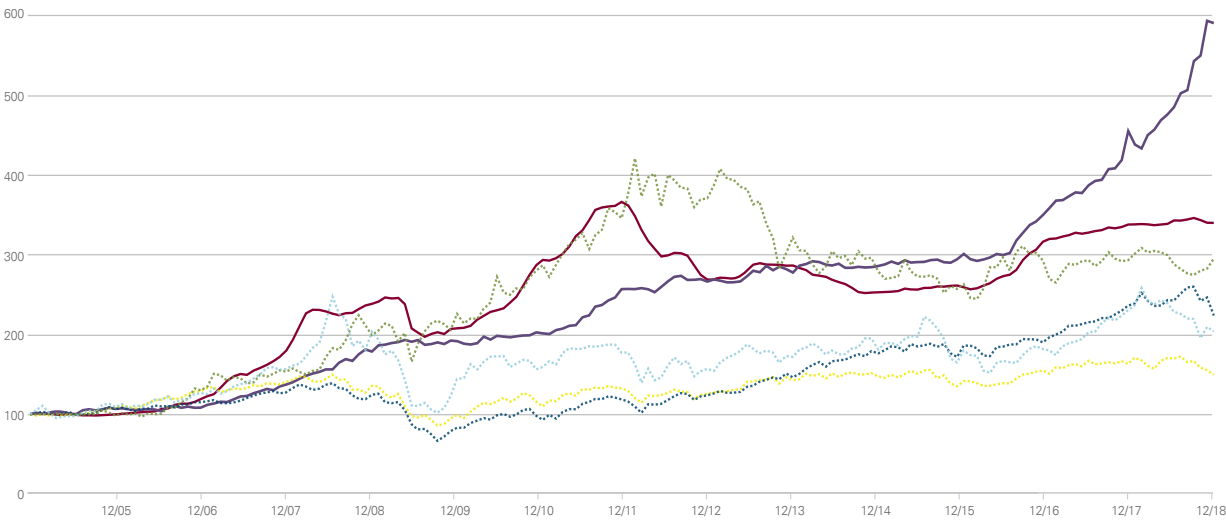


Fine Wine Versus Traditional Asset Classes

The graph examines the correlation of fine wine to traditional financial markets.

Both the LVXINV (Fine Wine Investables) and Burgundy 150 Index (representing the top performing wines of the Burgundy region) have outperformed both the S&P 500 and FTSE 1000 Equities Index.

Series	12m	2y
LIVXINV (Fine Wine Investables)	1%	6%
Burgundy 150	35%	61%
FTSE 100	-11%	-5%
S&P 500	-8%	11%
Gold	-2%	11%
Hang Seng	-17%	14%



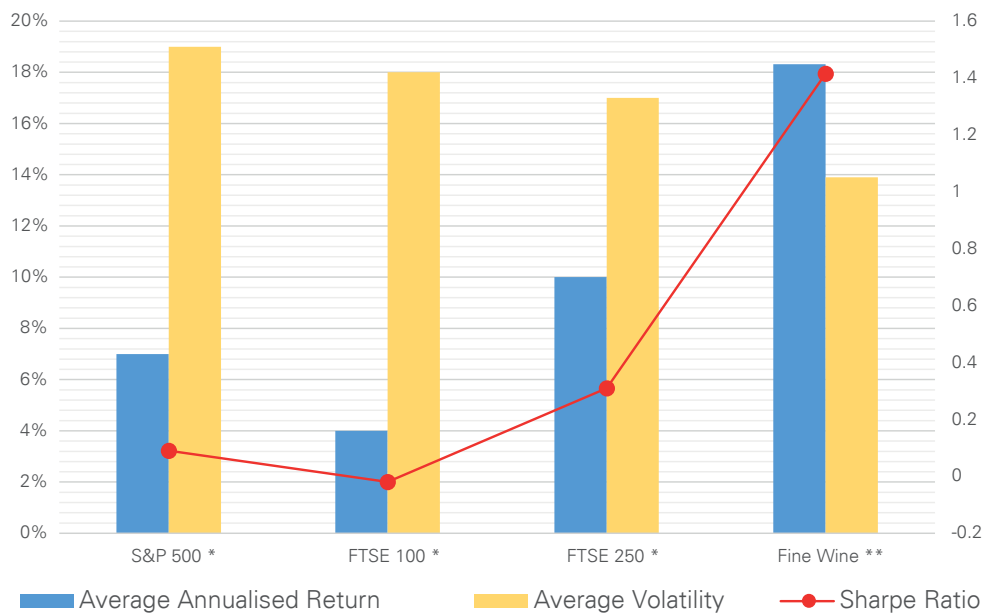
Wine Brand 10 Yr Sharpe Ratios

The case for fine wine investment can also be demonstrated through the Sharpe Ratio. This is the average return earned in excess of the risk-free rate per unit of volatility or total risk. The greater the value of the Sharpe Ratio, the more attractive the risk-adjusted return. The table below highlights some examples.

Wine Brand	Avg Annualised Return (06-15)	Avg Annual Sharpe Ratio (06-15)	Avg Volatility (Std Deviation)
Sassicaia	16.10%	2.44	6.61%
Tignanello	18.45%	2.01	9.19%
Opus One	17.64%	1.86	9.50%
Angelus	13.33%	1.66	8.05%
DRC, Romanee Saint Vivant	20.84%	1.65	12.67%
Penfolds, Grange	22.17%	1.63	13.60%
Ornellaia	17.54%	1.41	12.48%
Screaming Eagle	21.21%	1.37	15.46%
Solaia	13.26%	1.33	9.96%
Pavie	7.39%	1.32	5.59%
Smith Haut Lafitte	9.72%	1.31	7.42%
Dominus	24.70%	1.28	19.23%
DRC, Tache	23.66%	1.27	18.65%
DRC, Romanee Conti	21.82%	1.17	18.58%
Cantemerle	6.65%	1.09	5.88%
Masseto	22.73%	1.04	21.84%
Moet & Chandon, Dom Perignon	34.99%	1.03	33.96%
Guigal, Cote Rotie Landonne	16.42%	1.02	16.11%
Louis Roederer, Cristal	19.42%	1.01	19.28%
Average	18.32%	1.42	13.90%

Wine Market Performance

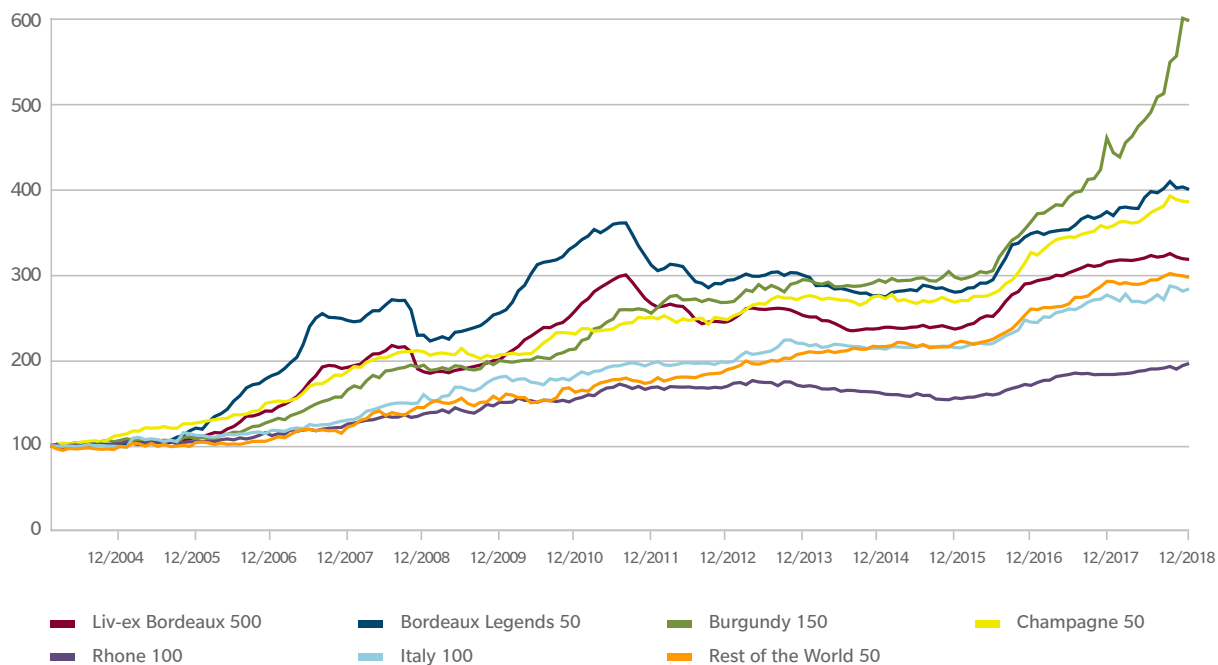
A Sharpe Ratio greater than 1 indicates that on average that particular investment has delivered excess return for every unit of risk taken. This is clearly the case for the wines listed above, and in the table below, we can see how fine wine investment compares to stocks in terms of risk adjusted returns.



*11 year period (2003-2014) **9 year period (2006-2015)

Long-term Performance of Regional Sub-indices

Finally, the below graph shows the long-term performance of regional sub-indices, all of which have demonstrated growth over a 10-year hold. Investment in a variety of regional wines offers further diversification and mitigation against risk.



Case Study: Lafite Rothschild 1982 versus FTSE 100

The FTSE 100 launched on January 3 1984 with a base level of 1,000. At the same time, the most recently released vintage of first growth Bordeaux estate Chateau Lafite Rothschild was the 1982. At the time the FTSE 100 index was launched you could purchase a case of 12 bottles of this wine for £275.

If an investor had £5000 to invest in either Lafite Rothschild 1982 or £5000 in the FTSE 100 which would have done better?

The table shows the annual change in value of both a £5000 investing in the FTSE 100 and 18 cases of Lafite 1982 (£4,950 purchase value)

As of December 2018 the 18 cases of Lafite Rothschild 1982 would be worth c. £675,000 whilst the investment in the FTSE 100 would be worth c. £33,640.

	FTSE-100 Index	Lafite Rothschild 1982 (1 Case)	Lafite Rothschild 1982 (18 Cases)
Price In 1984	£5,000	£275	£4,950
CAGR	6.61%	15.08%	15.08%
Max Growth (1yr)	59.23%	140.83%	140.83%
Min Growth (1yr)	-41.62%	-39.90%	-39.90%
Avg Growth (1yr)	6.79%	19.41%	19.41%
Price (Dec 2018)	£33,640.50	£37,500.00	£675,000.00
Total Growth	572.81%	13,536.36%	13,536.36%
Profit (Dec 2018)	£28,640.50	£37,225.00	£670,050.00

IN
E
LD

1982

MIS EN BOUTEILLE AU CHÂTEAU



CHATEAU LAFITE-ROTHSCHILD

1982

PAUILLAC

APPELLATION PAUILLAC CONTRÔLÉE

PRODUCE
OF FRANCE

DÉPOSÉ

SOCIÉTÉ CIVILE DU CHATEAU LAFITE-ROTHSCHILD, PROPRIÉTAIRE À PAUILLAC (GIRONDE)

MIS EN BOUTEILLE AU CHÂTEAU



CHATEAU LAFITE-ROTHSCHILD

1982

PAUILLAC

APPELLATION PAUILLAC CONTRÔLÉE

SOCIÉTÉ CIVILE DU CHATEAU LAFITE-ROTHSCHILD, PROPRIÉTAIRE À PAUILLAC (GIRONDE)

How to Invest in Fine Wine?

Getting Exposure to the Fine Wine Market

There's an increasing number of ways to invest in fine wine. While seasoned collectors will enjoy the thrill of pursuing and obtaining a particular bottle or case themselves, there are plenty of lucrative options open to those whose fine wine knowledge isn't up to the same standard or simply do not have the time to build and manage their own portfolio.



Wine stocks

One way of getting exposure to the wine market is to directly invest into the publicly traded stocks and shares of companies in the industry. For example, LVMH Moët Hennessy Louis Vuitton SE, better known as LVMH, owns a number of high profile investment grade wineries including Cheval Blanc, Chateau d'Yquem and Champagne House Krug.

The downside of this method is that your investment is a purely financial instrument and will not be directly linked to the underlying tangible asset.

Furthermore, by buying shares you are immediately more correlated to the performance of the financial markets.

How to Invest in Fine Wine?



Wine funds

Investing in a wine fund outsources all responsibility for selection to a fund manager. This saves time and effort, but removes any ability for the investor to tailor a portfolio to his or her needs. Furthermore with a wine fund you do not own the underlying asset and are only trading on the value of the market. It also removes the tax-free element, a benefit of owning the physical stock.



Investing in a winery

For those with significant capital to invest in this market, there is the option to actually buy and own a winery. In the past few years we have seen this method becoming increasingly popular with some of the world's rich and famous. With people such as Brad Pitt, Angeline Jolie, Alibaba founder Jack Ma and Arsenal Football Club owner Stan Kroenke, all buying up wine properties as part of their investment portfolios.



Invest in physical wine

The very essence of a passion asset, investing directly in a bottle or case of wine for safekeeping in your own possession can sometimes prove the most straightforward – and effective – method of getting involved with wine investment. This method also provides interesting tax, ownership and structuring advantages due to the easily transferable status of a case of wine.

CULT WINES

SOLUTIONS FOR FINE WINE

What does Cult Wines do for its Clients?

Our investment objective is to generate high capital appreciation across short, medium and long term strategies by investing in both physical and en primeur (forthcoming) wines from around the world.

We create individual portfolios for each client, structured to match your personal investment objectives, targeting a return in excess of 10% per annum (net of fees), over a recommended term of at least five years.

However, portfolios do not have a fixed term and clients can liquidate all or any part of their portfolio at any stage, typically when advised by their dedicated portfolio manager.

Our team of portfolio managers have a wealth of experience in the fine wine investment market. Your appointed portfolio manager has access to the most up-to-date market data and analysis available, through our dedicated and highly specialised research team, and is therefore able to advise you on the best possible investment strategy.

These strategies are revised on a regular basis as the market develops; weekly updates and regular reviews ensure that your portfolio is working its hardest.

Our portfolio service covers the full expense of storing your wine, all handling and administration costs, and all wines are completely insured at their current market value for the full duration of your investment.



Why use Cult Wines to Invest in Wine?

Market-Leading Returns and Pricing

Cult Wines outperformed the benchmark market index (Liv-ex 100) in 2017/2018, rising 6.35% versus 2.37% (please see section on CW performance p. 42-46).

Bespoke Service

Each client has their own assigned portfolio manager dedicated to matching their investment objectives in a professional manner, from start to finish.

Provenance and Authenticity

Cult Wines has an extensive network of suppliers across Europe including some of the largest negociants on the place de Bordeaux (suppliers who are triple-A-rated by the Bank of France) meaning the provenance of all stock is guaranteed, and all en primeur “futures” purchases come with a bank guarantee.

Security

Our clients have complete security with the segregation of funds and assets at all times.

Perks and Exclusives

Through Cult Wines you'll have exclusive access to top chateaux for client events, tastings and visits.

What do Cult Wines' Clients Own?

Our clients own a wide selection of the finest wines from around the world, in cases of three, six or 12.

Many own physical wines in their original wooden casing, while others own wine futures contracts (en primeur), or indeed a mixture of both.

All of our wines are guaranteed provenance stock with traceable UID codes, stored within London City Bond, owned by Liv-ex.



What are the Risks of Investing in Wine?

Any investment carries a degree of risk and so robust due diligence is always needed to understand the full scope of any investment scenario.

Risks involved in wine investment include:

Short term trends

There are numerous examples of short term trends yielding impressive gains within the fine wine market, but an investment should be viewed as a mid- to long-term one, with a period of at least five years.

Unregulated market

The wine investment market is unregulated and as such falls outside the guise of the Financial Conduct Authority (FCA). This means that investors are not protected in the same way that they are when investing in regular financial products. As such it is important for investors to do their due diligence, and only buy from established merchants and deal with reputable investment houses to ensure you get the expertise you need.

Liquidity

Or more specifically, illiquidity. Whilst Coutts Bank sees important value in passion assets and their financial sense as part of a more diversified portfolio, it recognises that collectibles “are illiquid, have especially high unit costs and are distinct in terms of their performance.” Further elaborating that “You cannot pay your bills using a tenth of a Matisse.”

Of all passion assets, fine wine is one of the most liquid and typically it takes 4-12 weeks to liquidate a sizeable fine wine portfolio. Therefore investors are cautioned not to commit capital to an investment in this market that they might need back tomorrow.

How to Invest in Fine Wine?

Misjudged valuations

Critics argue that, as a result of the limited historical risk and return data, passion assets are subjectively valued, making their valuation very difficult and sometimes impossible until the point of sale.

However, while an accurate valuation by a lay person is very unlikely, experienced wine investors are greatly assisted by online tools such as Liv-ex and other websites which are significantly more informative than those relating to other passion assets, such as cars. Regular valuation is important because it helps to identify the right opportunities to sell, what represents good value in buying and the potential for growth when buying. Again, the right expertise is essential.

Counterfeits

As with most tangible luxury assets, there will be a need to ensure the provenance and authenticity of the asset. But in an effort to defeat the counterfeit trade, a number of the most desirable wine brands have taken measures such as introducing the ProofTag system, which has been adopted by some producers, including all the wines of Château Lafite-Rothschild (beginning with the 2009 vintage), a technology on all bottles that means they can be traced and validated upon request.

Other useful tools to combat counterfeiting include websites such as Wineauthentication.com, a website created by collector Russell Frye that provides the latest authenticity news and information, including a section on the most recent counterfeits reported. Nonetheless, using the services of a reputable company greatly reduces this associated risk.

Industry bible The Wine Spectator recommends Cult Wines as one of these companies, whilst in 2016 The Spears 500 included Cult Wines Managing Director Tom Gearing as one of the industry's trusted advisers.

Cult Wines Performance

As a company that specialises in managing wine investment portfolios and providing strategies to our clients we pride ourselves on producing marketing leading returns within this industry.

In this section we will focus specifically on real data from our own client portfolios, tracking average performance across all portfolios since January 2010, as well as more recent performance stats and specific regional/strategy numbers.

1) Total Average Performance across all portfolio positions since inception

The following data is calculated from October 2009 by including all positions held by client by wine and vintage, individually entering the index rebased to 100 in the month of purchase and re-valued monthly using the Liv-ex Benchmark Market Price.

Therefore the average performance of all Cult Wines clients' holdings is represented as an index.

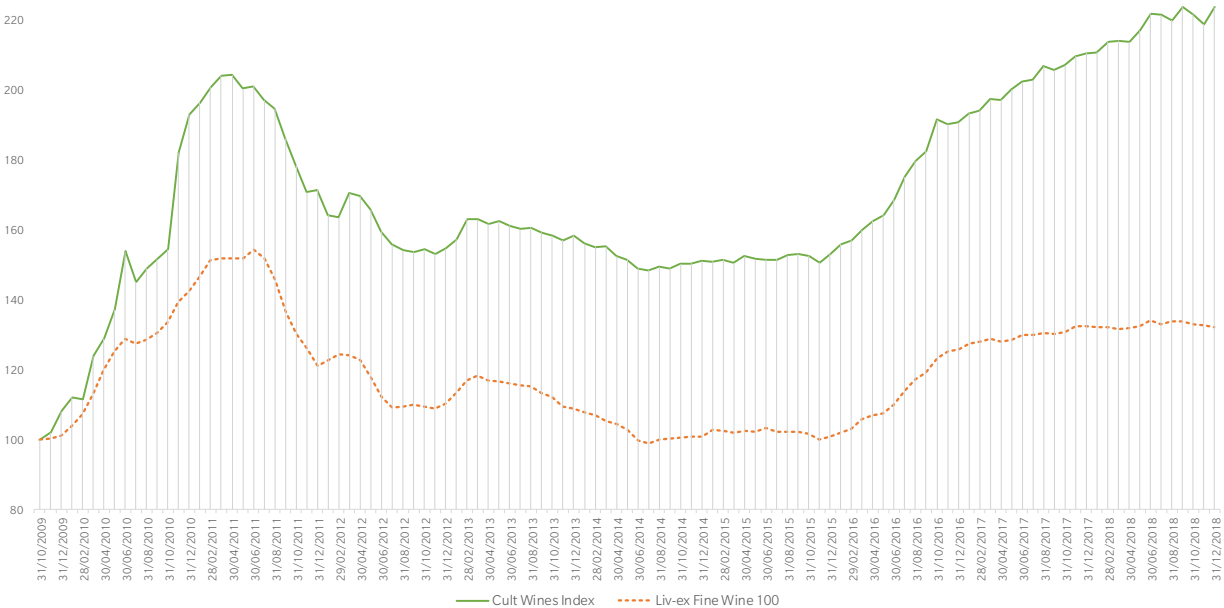
The 'Cult Wines Index' has outperformed the Liv-ex 100 in 6 of the 8 years that Cult Wines Data has been recorded in this way.

You can see in the graph to the right that visually there is a connection between both indices and the wine market in general.

“Over the last 8 years the Cult Wines Index has achieved an Average Annual Growth of 11.43% compared to 4.74% of the Liv-ex 100. A difference of 6.69%.”

Cult Wines Performance

	Period From	Period Until	Cult Wines Index Total Performance	Cult Wines Index Average Annual Performance	Liv-ex 100 Total Performance	Liv-ex 100 Average Annual Performance
1 Year	31/12/2017	31/12/2018	6.26%	6.26%	-0.20%	-0.20%
2 Years	31/12/2016	31/12/2018	17.22%	8.61%	4.95%	2.48%
3 Years	31/12/2015	31/12/2018	45.95%	15.32%	30.97%	10.32%
4 Years	31/12/2014	31/12/2018	48.00%	12.00%	30.84%	7.71%
5 Years	31/12/2013	31/12/2018	41.10%	8.22%	21.35%	4.27%
All Time	31/10/2009	31/12/2018	123.44%	13.47%	32.00%	3.49%

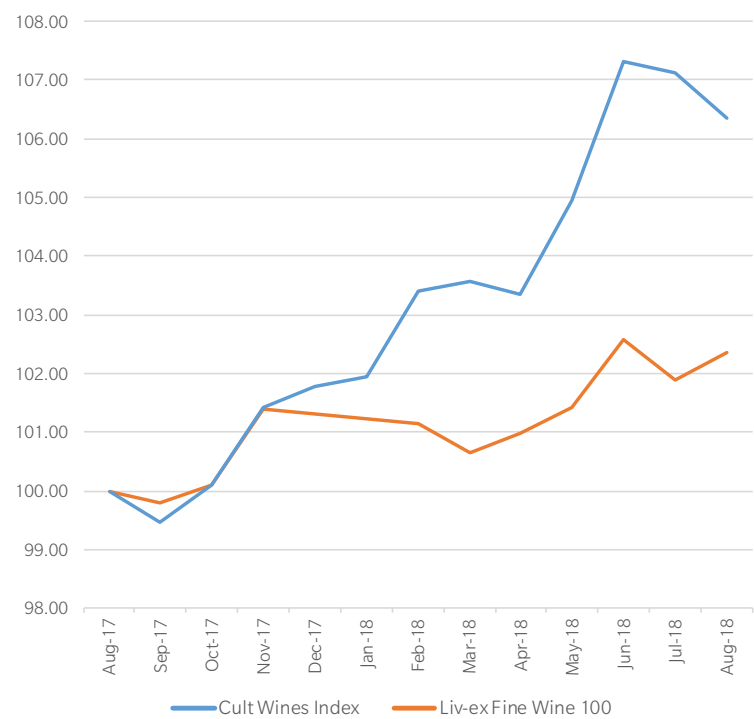


Cult Wines Performance

2) 2017/18 Financial Year - Client Portfolio Performance (1 Year)

- All private client sales in FY 2017/18 (Sep 1st 2017 - Aug 31st 2018)
- Rebased to 100 (September '17)

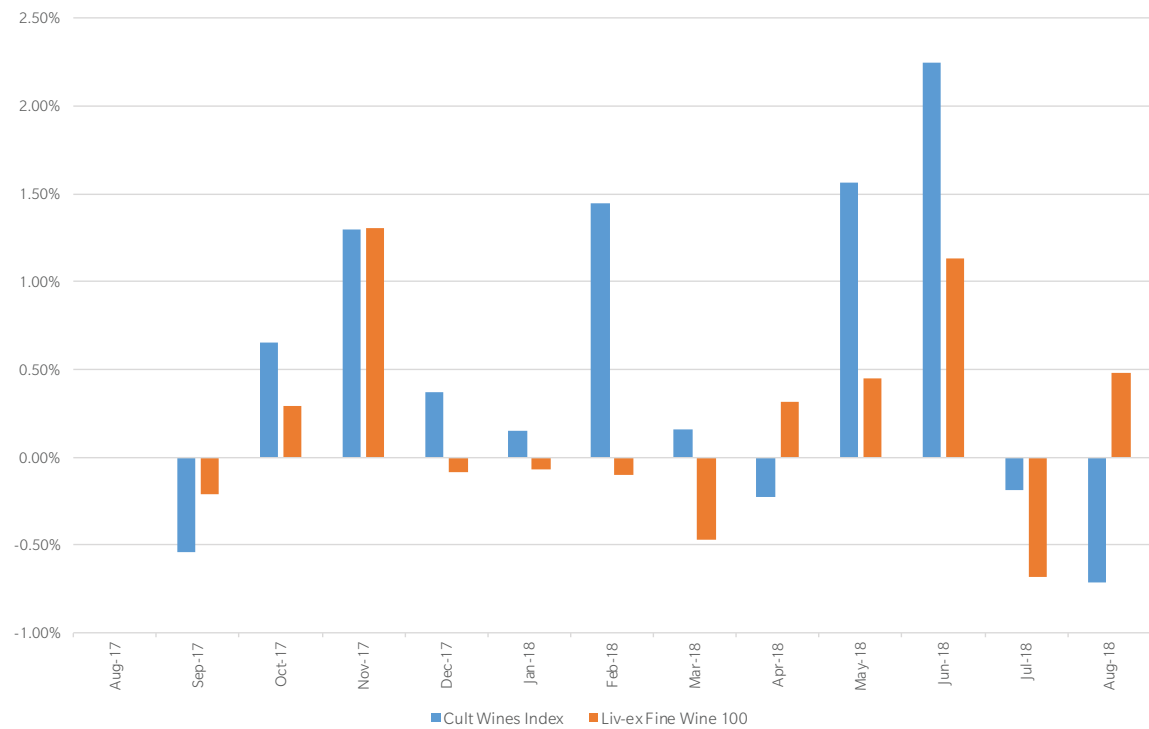
Cult Wines Index versus Liv-ex 100



Growth	Between Sep 1st 2017 Aug 31st 2018
CW index	6.35%
Liv-ex 100	2.37%
Difference	3.98%

Cult Wines Performance

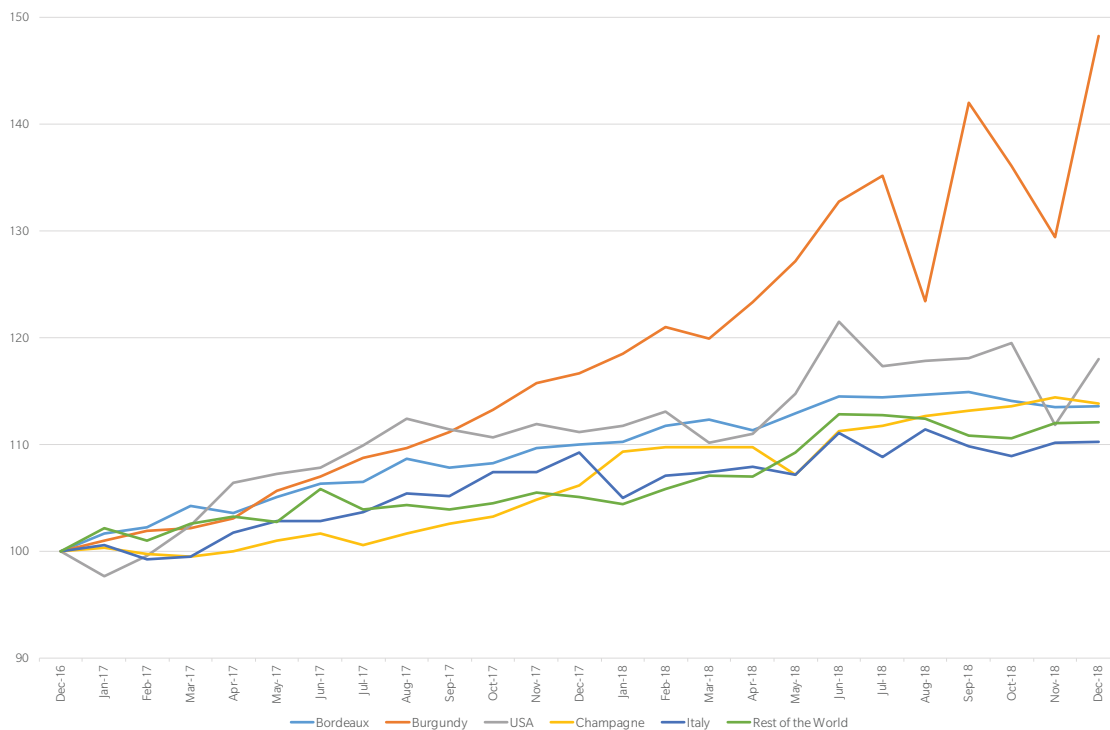
Cult Wines Index versus Liv-ex 100 - Monthly Movements



Cult Wines Performance

3) Comparative Regional Strategy Performance - 2 Years

- Cult Wines Index broken down by region 31st December 2016 - 31st December 2018.
- Rebased to 100 (December 2016).
- Regions featured: Bordeaux, Burgundy, USA, Champagne, Italy and Rest of the World.





Events and Partners

An important part of our investment proposition at Cult wines is to work with a small selection of best in class global partners across a range of Private Banks, Wealth Managers, Family Offices, Alternative Asset Managers and complimentary luxury goods providers.

In conjunction with these partners, through our network and access to some of the greatest wineries and Estates around the world, we host a wide range of bespoke events that include: wine tastings, master classes, winery trips, seminars and private dinners.

Hosted by either our Head of Fine Wines or renowned Master Sommelier, in conjunction with the relevant senior Estate representative, often the owner, chief winemaker or global brand ambassador, the events provide an exclusive, informative and enjoyable experience.

Careful event planning ensures perfectly paired accompanying canapes, fine dining and champagne reception. Events are typically hosted in either our London, Hong Kong, Singapore or Shanghai offices, the partner premises, or where applicable, restaurants and private dining rooms.

Some of our Event Partners





CULT WINES

SOLUTIONS FOR FINE WINE

UK OFFICE

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

SINGAPORE OFFICE

9 Battery Road,
#09-01 MYP Centre,
Singapore 049910
T: +65 6909 8170
E: singapore@cultwinesltd.com

HONG KONG OFFICE

1001B – 2, Kinwick Centre,
32 Hollywood Road,
Central, Hong Kong
T: +852 2818 0899
E: hongkong@cultwinesltd.com

CHINA OFFICE

2441 CITIC Square,
1168 Nanjing West Road,
Shanghai 200041
T: +86 21 6085 3559
E: china@cultwinesltd.com



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