

ALTA RIOJA GRAN RESERVA 904 - DUHART  
CHAPOUTIER  
ROTIE TURQUE - JOSEPH FAIVELEY MAZIS CHAMBERTIN - LEOVILLE  
GUSBOURNE BLANC DE BLANCS - PONSOT CHAPELLE CHAMBERTIN  
GES - BOUTISSE - DUCRU BEAUCAILLOU - MEYNEY - PETIT MOUTON  
MONTRACHET - TROTTEVIEILLE - PELICAN ARBOIS SAVAGNIN OUILLE  
DE ROUGE - BEAUSEJOUR DUFFAU - PONSOT CLOS ROCHE VV  
LAMBREYS - POUJEAUX - DOMAINE LEFLAIVE BIENVENUES BATARD  
DOMAINE ROUSSEAU CHARMES CHAMBERTIN - MOET & CHANDON  
CLOS VOUGEOT - BAHANS HAUT BRION - BENJAMIN  
CHAMP GAIN - MASSETO - MICHEL OGIER COTE ROTIE  
GAZIN (POMEROL) - TUA RITA REDIGAFFI - LAVILLE HAUT  
BRUNELLO MONTALCINO RISERVA - SAINTAYME  
NOELLAT NUITS SAINT GEORGES CRAS - HARLAN  
ROAD RIESLING BLOCK 1 - JOSEPH FAIVELEY  
LOT ROMANEE SAINT VIVANT - CLOS ST JEAN  
EX MACHINA - EVANGILE - PONSOT GRIOTTE  
CHATEAUNEUF DU PAPE - BEYCHEVELLE - CLOS  
CHAMPAGNE - FELTON ROAD PINOT NOIR  
Y CORTON CHARLEMAGNE - FELTON ROAD  
DROUHIN GRIOTTE CHAMBERTIN - KRUG  
DOM PERIGNON ROSE - TIGNANELLO  
NGARTEN GROSSES GEWACHS - PICHON  
DOMAINE LEROY VOSNE ROMANEE  
GES - DRC ROMANEE CONTI - GUIGAL  
ART DOM RUINART - COMTES LAUFAN  
VILLE LAS CASES - CANON GAFFELIERE  
NE - DRC ECHEZEAUX - FLEUR PETRUS  
MITENAC - CHAPELLE MISSION - CLINET  
EZ - OPUS ONE - DOMAINE LEFLAIVE  
SCOMBES - DUJAC CLOS ROCHE  
IER VV FRANCAISES - PAGODES COS  
AUT BRION - CHENADE - GAJA COSTA  
MBERTIN CLOS ST JACQUES - LOUIS  
JUS - CHAPOUTIER ERMITAGE BLANC  
ERMITAGE CHAPELLE - FELTON ROAD  
EMILION) - CLARENCE HAUT BRION  
OCK 5 - SMITH HAUT LAFITTE - COS  
PINGUS - HENRI JAYER NUITS  
GEORGES ROUMIER CHAMBOLE  
GLA - BRUNO GIACOSA BAROLO  
K - DOMAINE JEAN-LOUIS CHAVE  
S LAFITE - VIEUX CHATEAU CERTAN  
C MUGNIER CHAMBOLE MUSIGNY  
VAL BLANC - ARROSEE - JOSEPH  
OLLINGER RD - JACQUES FREDERIC  
BONNES MARES - LOUIS ROEDERER  
GE - GUIGAL COTE ROTIE MOULINE  
HAUT BATAILLEY - ARMAND ROUSSEAU  
MITAGE PAVILLON - AUSONE - ROCHE  
LALANDE - FRATELLI ALESSANDRIA  
LAUX - BRANCAIA BLU - BRUNO  
ROIX BEAUCAILLOU - DOME - COMTE  
CRU - HAUT BRION - SCREAMING  
CHAMPAGNE ROSE - DOMAINE LEROY  
TS - DOMAINE JEAN-LOUIS CHAVE  
- FREDERIC MAGNIEN GEVREY  
ROGER SIR WINSTON CHURCHILL  
THSCHILD - SOLAIA - BEAUCASTEL  
QUINAULT L'ENCLOS - MOUTON  
LARTIC LAGRAVIERE BLANC - GAJA  
CLOS GOISSES BRUT - ANGELU  
NDRIE - COMTES LAFON MEURSAULT  
JUS - CONSEILLANTE - HENSCHKE HILL  
PERCARLO - PONTET CANET - FELTON  
JRN - MONTROSE - PIN - BRUNO  
ALLETTO - GIACOMO CONTERNO  
- PEBY FAUGERES - CHAPOUTIER  
VIE - CLARENDON HILLS ASTRALIS  
NELLO MONTALCINO TENUTA NUOVA  
UNICO - MARGAUX - TORTOCHOT  
CHANDE ANNEE - COUTET (BARSAC)  
Y CHAMBERTIN CLOS ST JACQUES  
ERMITAGE ERMITE - HOSANNA - HAUT  
RED - GAJA SPERSS - DRC TACHE  
MUSIGNY AMOUREUSES - TRAPET PERE  
N - BEAUCASTEL CHATEAUNEUF DU  
PH PHELPS INSIGNIA - PONSOT CLOS  
NELLO MONTALCINO - EMMANUEL  
OS PARANTOUX - PETIT CHEVAL  
- EGLISE CLINET - FORTS LATOUR  
GEORGES ROUMIER BONNES MARES  
EAC - YQUEM - HENRI JAYER VOSNE  
- TRAPET PERE ET FILS CHAMBERTIN  
VIGNON - CRUZELLES - MONDOTTE  
HILD & CONCHA Y TORO ALMAVIVA  
RES - TROTANOY - GAY - JANASSE  
PEGAU CHATEAUNEUF DU PAPE  
NMFURON ROMANEE SAINT VIVANT  
AINE LEROY NUITS SAINT GEORGES  
BERNARD DUGAT-PY CHAMBERTIN  
N VV - BONNEAU MARTRAY CORTON  
JE MUSIGNY VV - PETER SISSECK  
Y VOLNAY SANTENOTS - GIACOMO  
- PAVILLON ROUGE - TROPLONG  
NARD CHASSAGNE MONTRACHET  
JD - COMTE VOGUE CHAMBOLE  
GRAND PUY LACOSTE - GIACOMO  
FRANCIA - RIOJA ALTA RIOJA GRAN  
- CECILIA BERETTA VALPOLICELLA



# CULT WINES

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## SOLUTIONS FOR FINE WINE

# QUARTER FOUR INVESTMENT OVERVIEW 2020



THE QUEEN'S AWARDS  
FOR ENTERPRISE:  
INTERNATIONAL TRADE  
2017

WWW.WINEINVESTMENT.COM

- COMTES LAFON MEURSAULT GOUTTE D'OR - LEOVILLE LAS CASES -  
CHAPELLE AUSONE - DRC ECHEZEAUX - FLEUR PETRUS GRAUDU  
CHAPELLE MISSION - CLINET - DRAGON QUINTUS - ORMES PEZ -  
CHEVALIER MONTRACHET - LASCOMBES - DUJAC CLOS ROCHE - TER  
FRANCAISES - PAGODES COS - RONAN BY CLINET - MISSION HAUT  
RUSSI - FOURRIER GEVREY CHAMBERTIN CLOS ST JACQUES - LO  
DOMINUS - CHAPOUTIER ERMITAGE BLANC OREE - PAUL JABOUL  
FELTON ROAD RIESLING DRY - CANON (SAINT EMILION) - CLAREN  
PINOT NOIR BLOCK 5 - SMITH HAUT LAFITTE - COS D'ESTOURNE  
HENRI JAYER NUITS SAINT GEORGES MURGERS - GEORGES  
CRAS - RAUZAN SEGLA - BRUNO GIACOSA BAROLO FA  
DOMAINE JEAN-LOUIS CHAVE HERMITAGE BLANC - CAR  
CERTAN - LAFLEUR - JACQUES FREDERIC MU  
AMOUREUSES - PALMER - CHEVAL BLANC - ARROS  
MARES - BOLLINGER LD - JACQUES FREDERIC M  
BONNES MARES - LOUIS ROEDERER CRISTAL - T  
COTE ROTIE MOULINE - JOSEPH DROUHIN  
ARMAND ROUSSEAU CHAMBERTIN - CH  
AUSONE - ROCHE BELLENE CLOS ROCHE  
ALESSANDRIA BAROLO GRAMOLERE P  
BRUNO GIACOSA BARBARESCO ASILI -  
COMTE VOGUE CHAMBOLE MUSIGNY  
SCREAMING EAGLE - TAITTINGER COMTE  
LEROY NUITS SAINT GEORGES BOUDOT  
HERMITAGE - CLOS MARQUIS -  
CHAMBERTIN CAZETIERS - POL ROGER  
MACQUIN - LAFITE ROTHSCHILD - SOLA  
DU PAPE - QUINAULT L'ENCLOS - MOUTON  
MALARTIC LAGRAVIERE BLANC - GAJA  
CLOS GOISSES BRUT - ANGELU  
MONTLANDRIE - COMTES LAFON M  
MESNIL - PETRUS - CONSEILLANTE - H  
- SAN GIUSTO PERCARLO - PONTET C  
BANNOCKBURN - MONTROSE - PI  
ROCCHES FALLETTO - GIACOMO  
MONFORTINO - PEBY FAUGERES -  
ERMITE - PAVIE - CLARENDON HILLS  
NERI BRUNELLO MONTALCINO TENU  
SICILIA UNICO - MARGAUX - TORTO  
GRANDE ANNEE - COUTET (BARSAC)  
CHAMBERTIN CLOS ST JACQUES  
ERMITAGE ERMITE - HOSANNA - HAUT  
RED - GAJA SPERSS - DRC TACHE  
MUSIGNY AMOUREUSES - TRAPET  
CHAMBERTIN - BEAUCASTEL CHATE  
PERRIN - JOSEPH PHELPS INSIGNIA - P  
SANTI BRUNELLO MONTALCINO -  
ROMANEE CROS PARANTOUX - P  
VOUGEOT VV - EGLISE CLINET - FOR  
SEGUR - GEORGES ROUMIER BONN  
DENIS - FIGEAC - YQUEM - HENRI JAY  
COMTESSE - TRAPET PERE ET FILS  
CABERNET SAUVIGNON - CRUZELLES  
ROTHSCHILD & CONCHA Y TORO AL  
MARES - TROTANOY - GAY - JANASSE  
PEGAU CHATEAUNEUF DU PAPE  
CONFURON ROMANEE SAINT VIVANT  
DOMAINE LEROY NUITS SAINT GEOR  
BERNARD DUGAT-PY CHAMBERTIN -  
VV - BONNEAU MARTRAY CORTON  
MUSIGNY VV - PETER SISSECK (AL  
VOLNAY SANTENOTS - GIACOMO  
PAVILLON ROUGE - TROPLONG MO  
CHASSAGNE MONTRACHET BOUDOT  
COMTE VOGUE CHAMBOLE MUSIGNY  
LACOSTE - GIACOMO CONTERNO BA  
ALTA RIOJA GRAN RESERVA 904 - DU  
VALPOLICELLA CLASSICO SUPERIO  
CHAPOUTIER ERMITAGE MEAL - GUIG  
FAIVELEY MAZIS CHAMBERTIN - LEO  
RIG - GUSBOURNE BLANC DE BLAN  
CHAMBERTIN - DRC RICHEBOURG - LY  
BEAUCAILLOU - MEYNEY - PETIT  
BATARD MONTRACHET - TROTTEVIEILL  
OUILLE - MIRAVAL COTES DE PRO  
DUFFAU - PONSOT CLOS ROCHE VV  
LAMBREYS - POUJEAUX - DOMAINE  
MONTRACHET - LATOUR - AF  
CHAMBERTIN - MOET & CHANDON D  
CLOS VOUGEOT - BAHANS HAUT BRIO  
MONTRACHET CHAMP GAIN - MASSE  
GAJA SORI SAN LORENZO - GAZIN (P  
LAVILLE HAUT BRION - FARGUE  
MONTALCINO RISERVA - SAINTAYME  
NOELLAT NUITS SAINT GEORGES CR  
FELTON ROAD RIESLING BLOCK 1 -  
CLOS DE BEZE - ARLOT ROMANEE  
CHATEAUNEUF DU PAPE DEUS EX  
GRIOTTE CHAMBERTIN - CLOS PA  
BEYCHEVELLE - CLOS FOURTET - TA  
FELTON ROAD PINOT NOIR CORNISH  
CHARLEMAGNE - FELTON ROAD P  
DROUHIN GRIOTTE CHAMBERTIN -  
CHANDON DOM PERIGNON ROSE  
JORDAN JESUITENGARTEN GROSSE  
MALARTIC LAGRAVIERE - DOMAINE  
BEAUMONTS - ECHO LYNCH BAGES  
COTE ROTIE LANDONNE - RUINART  
MEURSAULT GOUTTE D'OR - LEOVILLE  
CANTEMERLE - CHAPELLE AUSONE





The image shows the interior of a bar named 'Cult Wines'. The ceiling is made of dark wood and features several large, copper-colored pendant lights. A metal rack hangs from the ceiling, displaying numerous wine glasses upside down. The bar counter is white and holds many more wine glasses, some containing water, along with small white cards. In the foreground, there are dark red leather bar stools with light-colored wooden legs. The wall behind the bar is light-colored and has the text 'CULT WINES' and 'ESTABLISHED 2007'.

# CULT WINES

ESTABLISHED 2007

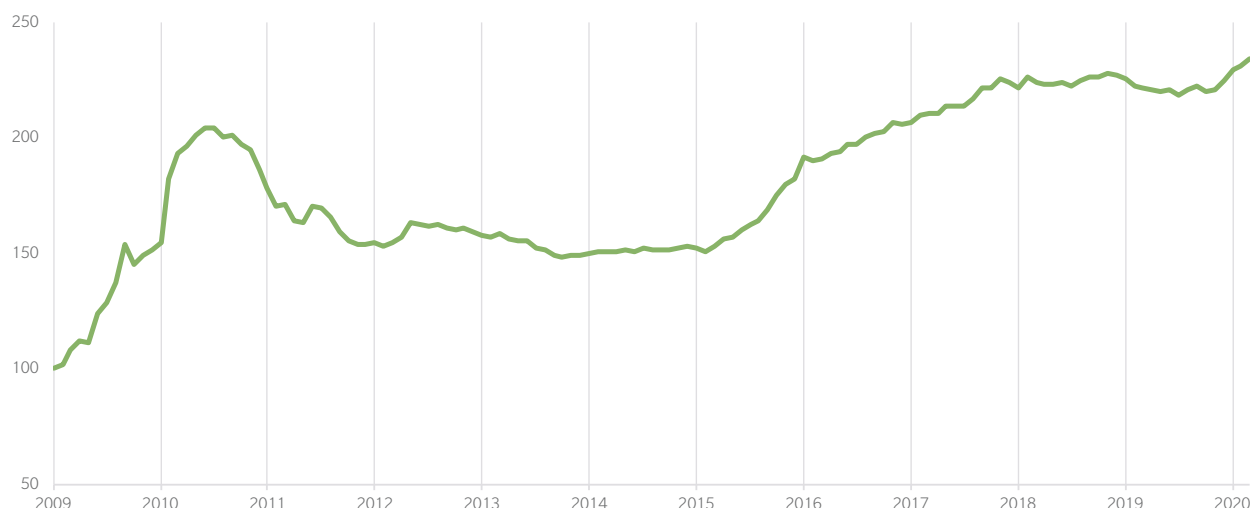


# Introduction

The fourth quarter was a microcosm of the whole year for fine wine investments as they demonstrated remarkable stability amid spikes in coronavirus cases in much of Europe and North America. The Liv-ex 1000 delivered a 1.0% return and experienced lower volatility than major equity and commodity markets as lockdowns, vaccine news, Brexit developments and US elections all impacted market sentiment over the quarter.

Cult Wines Index outperformed the Liv-ex 1000 with a 4.2% fourth-quarter return, resulting in a 5.8% annual return in 2020. Combining our experience in the fine wine market, statistical and quantitative research and algorithm-based modelling, our unique approach focusses on identifying the best relative value opportunities across the growing fine wine universe. Our holdings among Burgundy (12.3%) and Rest of World (12.2%) wines delivered the highest fourth-quarter returns.

## Cult Wines Index Performance



Cult Wines Index	Period From	Period Until	Total Performance	CAGR
Q4 2020	30/09/2020	31/12/2020	4.2%	-
2020	31/12/2019	31/12/2020	5.8%	-
3 Years	31/12/2017	31/12/2020	11.4%	3.7%
5 Years	31/12/2015	31/12/2020	53.1%	8.9%
Since Inception	31/10/2009	31/12/2020	134.3%	7.9%

Source: Pricing data from Liv-ex, Cult Wines Ltd. Analysis by Cult Wines Ltd.

Over 13 years, Cult Wines has become the global leader in wine asset management, providing analytically based, fine wine investment advice.

To enhance our analysis, we have partnered with HP Wealth Management (HPWM), an asset management firm based in Singapore, to bring an outside perspective on global financial markets. In this report, we look at the key events and trends over the past three months and consider the state of the market as we head into the new year. HPWM also provides their unique financial market outlook.



# HP Wealth Management



***“Performance is our main domain focus, but managing risk is just as important”***

HP Wealth Management is an independent asset manager/multi-family office founded in 2009. The firm’s objectives have not changed since then: we provide independent and professional investment advice, tailor-made investment management services and family office services.

To successfully navigate the financial markets requires discipline, timely access to information and the careful construction of a portfolio to match with the investor’s risk profile. At HPWM we couple this with a clear focus on building long term relationships with our business partners.

Leadership at HPWM in a small group of seasoned industry experts. Urs Brutsch, Stephane Schmid and Michael Foo have a combined 80 years in the wealth management industry in Asia.

Learn more at [www.hpwm.sg](http://www.hpwm.sg)



# Global Financial Markets Summary

## Key Highlights:

- Equity markets overcame a weak October to produce strong fourth quarter returns on the back of optimism surrounding the development of effective coronavirus vaccines.
- Accommodative monetary policy and fiscal stimulus measures also supported global markets. Risk sectors of fixed income markets outperformed core government bonds with corporate credit spreads ending the period tighter.
- US equities hit new highs with the S&P surging 12%. President-elect Joe Biden's victory in November elections increased hopes of an improvement in geopolitical tensions.
- Emerging markets outperformed developed markets. Asia markets led the way, helped by the region's countries having better control of the coronavirus pandemic.

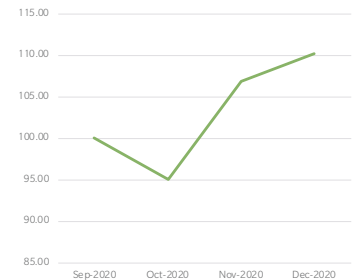
Global equity markets delivered stellar returns in the fourth quarter and ended the year at fresh record highs on positive Covid-19 vaccine developments and fading political uncertainty in the US. While equity markets started the quarter on a shaky note amid a resurgence of the coronavirus and uncertainty surrounding the US Presidential elections, markets rallied fiercely after Pfizer and BioNTech reported that their joint vaccine for the coronavirus had a 90% efficacy rate and could be potentially rolled out to the public as early as December.

Investor optimism rose on expectations of an economic recovery and sparked an outperformance in the more economically-sensitive parts of the market which had been battered by the pandemic. President-elect Joe Biden's victory in the elections also buoyed markets on hopes of a de-escalation of geopolitical tensions and further fiscal stimulus. Market sentiment remained sanguine for the rest of the quarter, as investors shrugged off news of rising Covid-19 infections and the discovery of a new variant over the possibility that a return to economic normality was in sight. The MSCI All Country World Index increased by 15% for the quarter which brings performance for the full year of 2020 up to 16%.

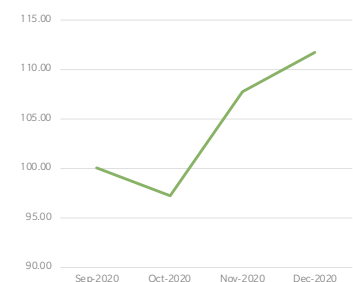
## United States Equities

US equities touched record highs in Q4, with the S&P 500 Index surging 12%, as vaccine breakthroughs overshadowed President-elect Joe Biden's eventual victory in the US presidential election and concerns over the smooth transition of power. Gains in the US were led by cyclical sectors such as financials, energy and materials.

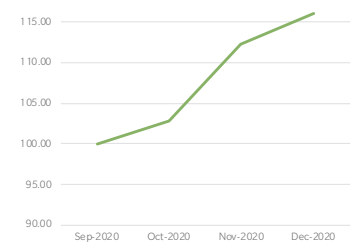
## FTSE 100



## S&P 500



## HANG SENG



## GOLD



Source: Bloomberg.



## Europe Equities

European equities also fared well, as the STOXX Europe 600 gained 11% (local currency terms) in Q4 on the back of a strong rebound in cyclical sectors such as energy and financials. With the new variant discovered in UK, the region implemented stricter measures and restrictions than before, dampening investors' confidence. Despite UK clinching the Brexit trade deal very near the 31 December 2020 deadline, there were still numerous issues unresolved in December and it weighed on investors' optimism throughout the quarter. Some of these issues involved fishing rights, fair competition and ways to solve future disputes. However, the European Union and China agreed in December to an investment deal that will give European companies greater access to Chinese markets and help redress what Europe sees as unbalanced economic ties, providing some comfort to European equities.

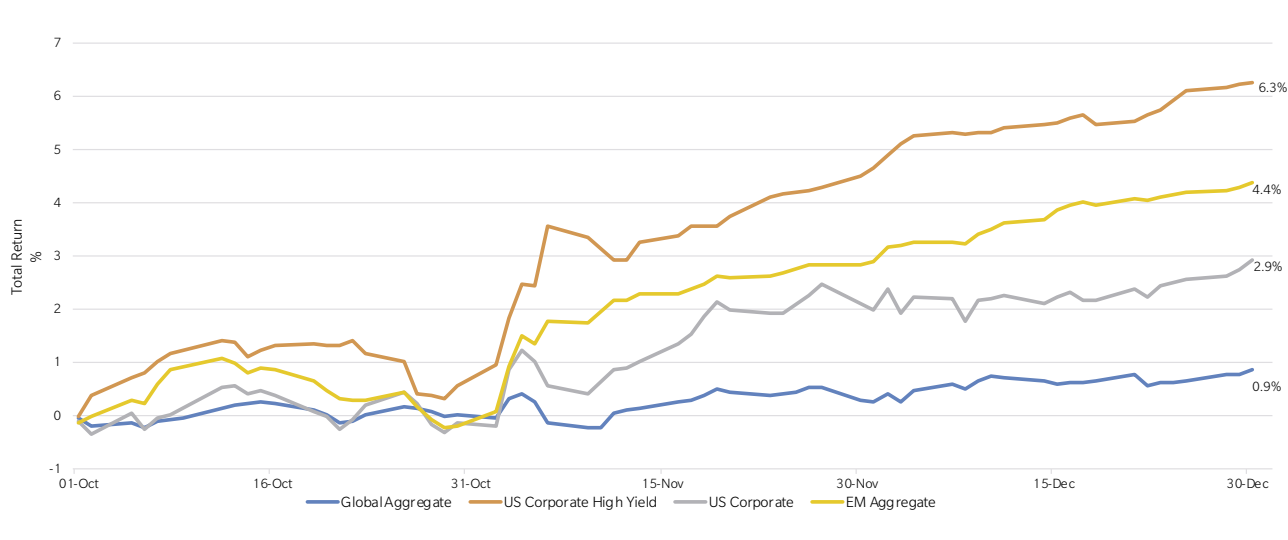
## Emerging Markets Equities

Emerging markets outperformed developed markets in Q4, with the MSCI Emerging Markets Index increasing by 20%. Returns in the region were led by ASEAN markets such as Thailand and Vietnam which posted strong gains driven by vaccine related news and ongoing US dollar weakness. In contrast, market performance in China, which has outperformed significantly on a year-to-date basis was relatively muted (+11% quarter-on-quarter) and underperformed over the quarter as investors rotated out of Chinese technology stocks amid the increased regulatory scrutiny on its technology giants.

## Fixed Income

Q4 2020 proved to be a very strong quarter across the global fixed income markets. The Bloomberg Barclays Global Aggregate Bond Index was up 0.9% while the riskier segments like US High Yield and Emerging Market USD bonds fared even better with total returns of 6.4% and 4.5% respectively. The two main factors underpinning positive market sentiment were the victory of Joe Biden in the US Presidential election and the positive news flow surrounding the Covid-19 vaccine trial results which indicated higher-than-expected efficacy levels. The anticipated roll out of vaccines globally in 2021 and normalization of economic activity led to a sharp increase in appetite for credit risk, leading to a significant tightening of credit spreads over the quarter.

### Bloomberg Barclays Fixed Income Indices Returns Q4 2020



Source: Bloomberg Finance L.P.



# HPWM's Market Outlook



Notwithstanding the sharp increase of Covid-19 cases globally, risk appetite in financial markets has continued to improve markedly since the collapse in March. This has been led by accommodative monetary conditions, stimulus packages by global governments along with the positive developments of a vaccine as investors anticipate a return to normality. We view the vaccine development as a game changer to global markets for 2021. Global economic growth should see a rebound as lockdowns and restrictions ease and business activity picks up once the vaccination programme is widespread. Corporate earnings should also be supported by the vaccine rollout and is widely expected to improve from 2020, particularly in sectors such as tourism, hospitality and oil and gas which were hit the hardest from the pandemic. Furthermore, we expect both fiscal and monetary policies in major economies to remain very supportive, despite some uncertainty over the size of any US fiscal stimulus which should help the global economy tide over the early part of 2021.

That said, the recovery of major economies will largely depend on the speed of rollout of the vaccines and the time it takes before the communities achieve herd immunity. There are still near-term challenges to be addressed with regards to infrastructure and distribution as red tape and a lack of inventory is currently affecting the rollout of vaccines in the US and Europe.

Moving into 2021, we are neutral on equities with a preference for Asia over developed markets such as the US and Europe. While the economic backdrop looks more favourable in the near-term, valuations in developed market equities look rather demanding at this point and could pose a threat to the current rally. On the other hand, we are more positive on Asia as the region has been able to deal with the pandemic better with infection rates in major economies such as China and Taiwan well contained. In addition, geopolitical tensions between the US and China are likely to ease under President-elect Joe Biden's administration.

On bonds, we expect US Treasury yields to rise modestly in 2021 as US economic growth rebounds from the sharp downturn in 2020 and the market starts pricing in higher inflation in 2021 and beyond. The yield curve will likely steepen as short end rates remain anchored by the Fed's pledge to keep policy rates at zero till possibly end-2023. The bond buying programs of major central banks will likely cap the rise in bond yields. Riskier segments like Emerging Market credit, particularly Asian High Yield, still offer relatively attractive yields and are likely to perform well as the search for yield in the current low interest rate environment remains unabated. Relatively benign default rates in the region, coupled with a weaker dollar and more predictable US trade policies should also underpin EM bonds.



# Fine Wine Market Summary

## Key Highlights

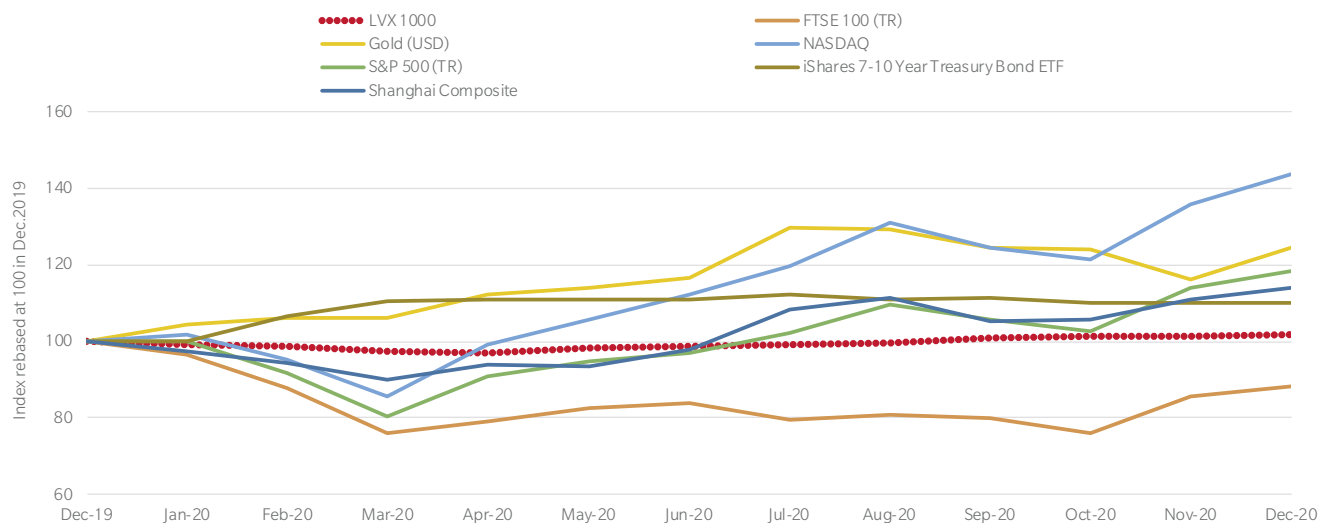
- Liv-ex 1000 posted positive returns in each month of Q4, netting a quarterly return of 1.0%. The ROW 60 had the highest return at 2.4%.
- Markets remained stable despite China announcing tariffs on Australian wine. The US increased tariffs on some French and German wines at the end of the period, but Joe Biden's election victory adds optimism that the relationship with EU will improve.
- The last-minute UK-EU trade deal means EU and UK wines will remain tariff free and costly VI-1 certificates will not be needed.
- We hold a positive outlook and see room for fine wine markets to grow further if the pandemic eases. A selective approach is important to uncover best risk-adjusted returns.

The fourth quarter solidified fine wine's status as a stable investment. The Liv-ex 1000 rose by 1.0% over the period and outperformed equity markets in October as stocks wobbled late in the month. Although equity markets recovered to produce a higher absolute return, the Liv-ex 1000 rose each month of the quarter and outperformed gold, which tumbled at the end of November. Liv-ex 1000's steady quarter resulted in an annual return of 2%.

Variance across different regions continued with some of the underperformers earlier in the year showing improvement. The Burgundy 150 saw the beginning of a recovery, while the Rest of World 60 (ROW 60) enjoyed the strongest fourth quarter return as a December surge overcame a weak November. California wines also recovered over the three-month period. Champagne 50 was the only index to decline in the fourth quarter, but this could largely be attributed to some prices retracing following strong growth over the past year.

## Fine wine stays steady through 2020

Liv-ex 1000 vs major financial markets, total returns



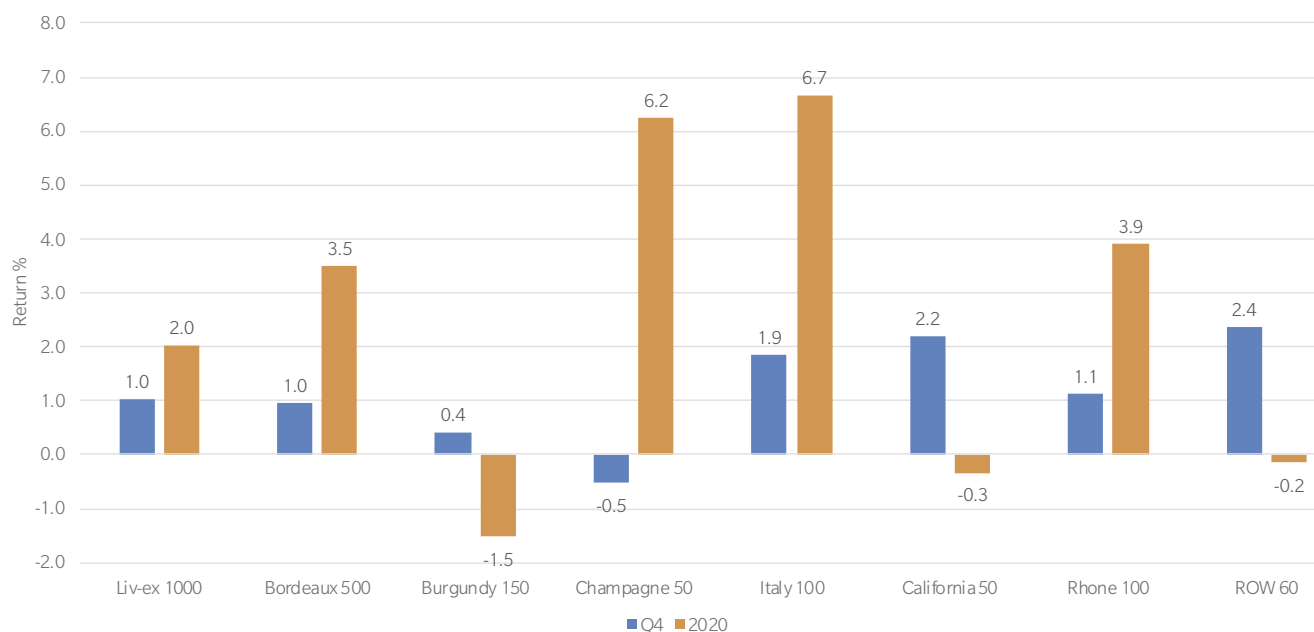
Source: Liv-ex, Investing.com



Fine wine's performance came amid ongoing surprises in the global political and trade sphere. In late November, China imposed tariffs of 107.1% to 212.1% on Australian wine. Later, the outgoing Trump administration announced in late December that French and German wines that had previously been exempt from US tariffs, namely those above 14% alcohol, would be subject to the levy starting in early January. Sparkling and Italian wines will remain exempt, however.

### California and EM end year on a high

Liv-ex 1000 and regional indices' Q4 and annual 2020 returns



Source: Liv-ex

Concerns of a no-deal Brexit weighed on sentiment for much of the period before the UK and EU announced a trade deal in late December, avoiding a reversion to World Trade Organisation terms. The agreement means that wine trade between the UK and EU will remain tariff free and that the two sides will recognize standards and regulations. Significantly, the deal removes the requirement for costly VI-1 certificates for wines originating in the EU and imported to the UK and vice-versa.



# Fine Wine Outlook

We hold a positive outlook for fine wine as we begin 2021. Its stable track record and growing geographic diversity can help it perform amid ongoing economic pain caused by the Covid-19 pandemic. If the pandemic wanes and the global economy improves over the course of 2021, we think the rebound that began in recent months could accelerate. Even after the solid 2020 returns, the Liv-ex 1000 index remains below its long-term compound annual growth rate (7.8% since the beginning of 2004), meaning there is room to rise further under the right conditions.

The additional US tariffs on some EU wines come into effect in January. Although the tariffs will likely remain in place for the near term, the incoming Biden administration at least reduces the likelihood of further tariffs and improves the outlook for the trading relationship.

The UK-EU trade deal should also help keep market demand stable for European wines as it brings clarity and minimises new obstacles and costs. Additionally, the deal improves the foreign exchange rate outlook for pound sterling. The UK remains a key global fine wine trading hub and a stable pound is important for the success of the upcoming Burgundy and Bordeaux en primeur campaigns.

A strong 2019 en primeur (EP) campaign would give the Burgundy recovery further legs. We favour the second tier and up-and-coming producers where valuations are less expensive than the top tier wines. Bordeaux is also a two-tier market with many older vintages (2006, 2008, 2014) currently more compelling in relative value than recent vintages with larger amounts of stock outstanding.

Elsewhere, Champagne offers ongoing potential after a strong year despite ending on a softer note. Like Bordeaux, we prefer the older vintages as well as many Grower Champagnes, which have lower supply levels than the established large producers.

The Italian and Rhone regional markets should continue to grow with Italy currently benefitting from US tariff exemption. Many emerging market wine regions should also garner increased international attention. Global distribution channels are widening, increasing liquidity and accessibility of a broader base of emerging market wines.



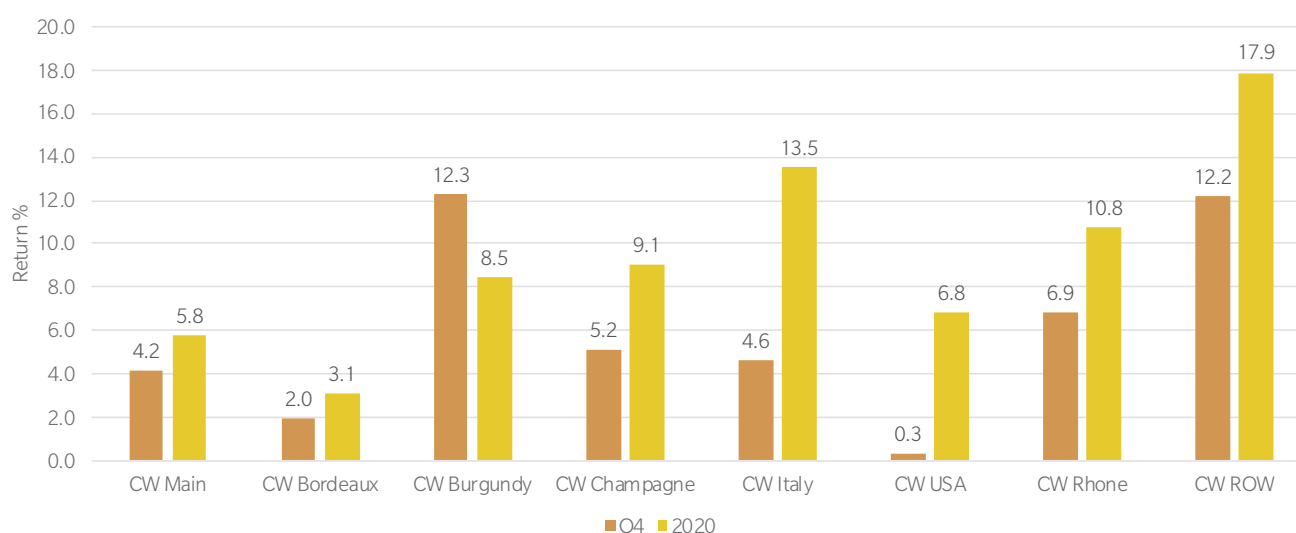
# Cult Wines Regional Performance

## Key highlights

- CW Main index posted strong Q4 gain of 4.2%.
- CW Burgundy was top performing region with a 12.3% jump. Our focus on second tier and up-and-coming producers helped. CW ROW also saw an impressive 12.2% rise.
- CW Champagne index rose 5.2% despite the Liv-ex Champagne 50 ending quarterly slightly down. Our focus on back vintages was a key to performance.

## Healthy gains across all Cult Wines indices

Cult Wines indices' Q4 and annual 2020 returns



Source: Liv-ex

## Bordeaux

Cult Wines' Bordeaux index returned 2.0% in the fourth quarter of 2020, leading to an annual return of 3.1%. This full year return trailed Cult Wines' performance in other regions, but we held an underweight exposure to the region over the period. Our Bordeaux holdings remained stable through the year despite the headwinds from US tariffs, Brexit uncertainty and the broadening of the wider fine wine market.

Bordeaux's trade share remained below 40% although ticked higher toward the end of the period. Support came when 'in bottle' critic scores of the 2018 vintage resulted in more upgrades than downgrades compared to the initial en primeur scores.

The 2018 Lafite was one of the more actively traded wines, helped by its commemorative 150th anniversary label piquing interest, particularly from the Asian market. Prices of the 2018 Chateau Mouton Rothschild jumped following



the announcement that the bottle's label will feature artwork by Chinese artist Xu Bing. The Liv-ex Fine Wine 50 index, which is a measure of the last 10 physical vintages of first growth wines, enjoyed a strong quarter with a rise of around 2%.

## **Burgundy**

Our Burgundy index jumped 12.3% over the final three months of the year, making it our top performing region. Our view that Burgundy's underperformance earlier in the year was largely down to price consolidation after a long period of sustained gains in 2016-2018. We, therefore, held on to many wines, paving the way for the strong year-end outperformance when demand returned, illustrated by a jump in Burgundy's monthly trade share in November (19.6% to 23.3% month on month according to Liv-ex).

Among top tier producers, the biggest movers in our portfolio were the 2015 Joseph Drouhin Clos de le Roche Grand Cru, which rose by 23%, and the 2009 Liger Bel Air Grand Cru, which ended the period 20%.

Our focus on attractively valued second tier and lesser-recognised producers also contributed to our Burgundy gains. The primary contributors in these categories were more recent vintages, including the 2018 Domaine Coquard Loison Fleurot, Clos Saint-Denis Grand Cru (+20%), 2012 Domaine Prieure Roch, Vosne-Romanee, Les Clous (+18%), and 2018 Domaine Coquard Loison Fleurot, Charmes-Chambertin Grand Cru (+10%). Two wines from Domaine Arnoux-Lachaux, the 2017 Echezeaux Grand Cru and 2017 Romanee-Saint-Vivant Grand Cru also rose by 10% over the quarter.

## **Champagne**

CW Champagne index posted a 5.2% fourth quarter return, ending the year 9.1% higher. While prices in the Champagne 50 index cooled off at the end of the year, our continued gains sprung from competitive sourcing as well as continued strong demand.

Our top performing Champagnes included a 2008 Pol Roger, Brut Vintage that climbed by 17% and a 2007 Bollinger, Vieilles Vignes Francaises that appreciated by 16% over the three months. The 2008 Taittinger, Comtes de Champagne Blanc de Blancs and a 2010 Vilmart & Cie, Coeur de Cuvee Premier Cru all enjoyed strong price increases as well. Several back-dated vintage Champagnes, such as the 1997 Salon Le Mesnil-sur-Oger Grand Cru, added to our returns. We recognize good appreciation potential in this category due to shorter supply.

## **Rhone**

CW Rhone index rounded out a strong year with a 6.9% three-month return, resulting in a 10.8% annual figure. Our efforts to identify wines offering attractive risk-adjusted returns led us to an overweight position in Rhone, helping our strong performance. The region continued to diversify over the quarter with a growing number of distinct wines trading on Liv-ex.

Rhone's status as an 'up-and-coming' force in the global wine market enhances its stability in the face of external volatility as it offers many attractive price points for wines that are generating favourable critical attention. The region met with some favourable press late in the fourth quarter when wine critic Jeb Dunnuck listed the Chateauneuf-du-Pape Domaine de la Vieille Julienne, Les Hauts Lieux 2018 as his top wine of the year.



Our quarterly performance received a boost from the 2008 Chateau Rayas, Chateauneuf-du-Pape, which rose by 8%, as well as the 2009 E. Guigal, Hermitage, Ex Voto Rouge (+6%) and 2011 Domaine du Pegau, Chateauneuf-du-Pape, Reserve Rouge (+4%).

## Italy

The CW Italy index ended the year in fashion with a 4.6% quarterly gain, leading to an impressive 13.5% annual mark. Italy's recent success stems partly from its exemption from US trade tariffs. However, the high-quality 2015 and 2016 Barolo vintages, the latter of which was released earlier this year, fuelled Italy's good fortunes. We had many standout 2016 Barolos including Azienda Agricola E. Pira e Figli (Chiara Boschis), Cannubi (+14%); Vietti, Rocche di Castiglione (+13%); Elio Grasso, Barolo, Gavarini Chiniera (+9%).

We also continue to find attractive opportunities in the Super Tuscan category, which has been enjoying a jump in its popularity. The 2009 Sassicaia (+27%) and 2007 Tua Rita, Redigaffi (+20%) rose significantly over the quarter.

## US & Emerging Markets

The CW Rest of World shone bright in the fourth quarter with a 12.2% rise over the period, just falling short of CW Burgundy for top spot. The region benefitted from a larger share of the trade, a nod to the growing diversity of the fine wine market.

Our Chilean wines made a sizable contribution to performance. We have identified improving quality among the country's wines, which have recently caught the eye of many wine critics. Our competitive sourcing also helped bolster our price growth. The 2018 Concha Y Toro, Don Melchor Cabernet Sauvignon, Maipo Valley stood out with a gain of over 30%. Other top performers over the quarter included the 2016 Casa Lapostolle, Clos Apalta, Colchagua Valley (+16%) and 2018 Rothschild & Concha Y Toro, Almaviva, Maipo Valley (+10%).

Elsewhere, strong demand helped some of our Australian holdings to overcome the Chinese tariff announcement and realise gains. The 2010 and 2015 Penfolds, Grange wines and the 2012 and 2013 Henschke, Hill of Grace Vineyard offerings were notable performers. Our US wines were more subdued, returning 0.33% over the final three months of the year.





THE QUEEN'S AWARDS  
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2017

# 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](mailto:info@cultwinesltd.com)

## HONG KONG OFFICE

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

## SINGAPORE OFFICE

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

## CHINA OFFICE

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

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