INVESTING WITH CULWINES 2019/20

CULT WINES SOLUTIONS FOR FINE WINE

WWW.WINEINVESTMENT.COM
Cult Wines Investment Journey

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Investment Objective & Policy

Objective

Cult Wines’ investment objective is to achieve long-term capital appreciation through active management involving the buying, holding and selling of wines, whilst respecting the parameters set in our Investment Policy.

Investment Policy

Cult Wines exclusively invest in wines that respect our strict investing criteria and have potential for appreciation in value. We maintain a high level of diversification across regions, producers and vintages.

Cult Wines applies a top down approach to define the optimal allocation (Strategic Allocation) in regions and vintages to the portfolio.

This is coupled with thorough quantitative analysis & research to select wines and producers that have the best relative value and growth prospects. Over the last 10 years we have developed proprietary statistical and probability models to identify those specific wines that deliver superior returns whilst respecting our strict risk parameters for investment. (Tactical Allocation).

The portfolio of wines is actively managed to maximise risk/reward and is rebalanced on a regular basis to maintain risk parameters, optimise allocation and meet our return objectives.

This process and framework is reviewed and validated by our Investment Committee.

Investing Criteria

Cult Wines invest in a strict selection of fine wines that meet our investment criteria, determined by:

- Brand
- Producer
- History
- Vintage Quality
- Critic Score
- Vintage Production
- Liquidity
- Availability
- Historical Price Performance
- Comparative Price Analysis
- Market Trends
- Drinking Window
- Provenance Certification
- Scheduled Re-scores

Please be aware the above weightings are for illustration purposes only and do not reflect actual weightings applied to each criteria by Cult Wines Investment Team.
Investment Decision Process

The decision process can be summarised in five stages as follows:

1. **STAGE ONE**
   - Macro Analysis
   - Wine Market Analysis

2. **STAGE TWO**
   - Long Term Market View

3. **STAGE THREE**
   - Return Objectives
   - Strategic Allocation

4. **STAGE FOUR**
   - Performance Review
   - Tactical Allocation
   - Research / Analytics

5. **STAGE FIVE**
   - PORTFOLIO MANAGEMENT
Investment Committee (IC)

Cult Wines’ investment committee combines the experience and expertise of the most senior members of the Management Team and the departments of Research, Buying & Trading.

The Investment Committee is responsible for the Investment Policy: it defines the Investment Strategy and sets the risk parameters. The investment committee meets quarterly to review the Investment Strategy and performance of the portfolio and decides adjustments to allocation and specific underlying investments.

Risk Management

CW risk management process ensures that each portfolio respects adequate level in the following key risk factors:

- Diversification
- Liquidity
- Volatility

In addition to the investing criteria and the above risk factors, Cult Wines applies strict exposure limits to single producers or vintages as a percentage to the overall portfolio. Portfolios and performance are monitored closely to ensure all those factors are respected at all times.
Choose your Investment Model

Cult Wines flagship investment management service is our Portfolio Management Account, whereby the minimum initial capital investment is £25,000, fully customisable to your requirements.

For those looking to access the market at a smaller capital outlay, we have an execution only account model whereby you can invest either £10,000 or £20,000.

<table>
<thead>
<tr>
<th>Account</th>
<th>Execution Only</th>
<th>Portfolio Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Investment</td>
<td>£10,000.00</td>
<td>£25,000.00</td>
</tr>
<tr>
<td>Maximum Investment</td>
<td>£20,000.00</td>
<td>n/a</td>
</tr>
<tr>
<td>Storage and Insurance (Cult Wines Reserves)</td>
<td>£10 per unit per annum (+VAT)</td>
<td>Inclusive</td>
</tr>
<tr>
<td>Condition Reports and Photos</td>
<td>£5 per case (+VAT)</td>
<td></td>
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</table>

- Dedicated Portfolio Manager
- Buy and Sell Advice
- Access to Cult Wines Research and Investment Reports
- Online Portfolio Access
- 0% Trading Fees on Account
- Bespoke Proposal Tailored to your Objectives
- Active Management of your Portfolio
- Priority Access to En Primeur Allocations
- Priority Access to New Releases

Currencies:

The investment is valued in GBP however investors can transact in a number of currencies.

Once your portfolio is confirmed, we will email you an invoice for you to settle by wire transfer. You can pay into our accounts with HSBC London, HSBC Singapore or HSBC Hong Kong in:

GBP / USD / EUR / SGD / HKD / CNY / CHF
Cult Wines Portfolio Management Account

<table>
<thead>
<tr>
<th>Portfolio Management Account</th>
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<tbody>
<tr>
<td><strong>Account Tier</strong></td>
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<tr>
<td>Capital Invested</td>
</tr>
<tr>
<td>Acquisition &amp; Operations Fee</td>
</tr>
<tr>
<td>Annual Management Fee</td>
</tr>
<tr>
<td>Liquidation Fee*</td>
</tr>
<tr>
<td>Performance Fee</td>
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<tr>
<td>Hurdle rate</td>
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* After year 3, there is no liquidation fee on the partial or full sale of the portfolio.
† Performance fee is calculated at 20% of the outperformance over an annual hurdle rate of 7% (net of management fee).

**Acquisition & Operations Fee**

This gives you access to our investment research and strategies, advantageous pricing for all wines allocated and priority access to new releases. This fee also covers all the costs of transportation of wines including all delivery, insurance, administration, shipping and landing costs into the bonded warehouse.

The discounted fee will be applied either on the first transaction which takes the investor over the threshold, or on the initial capital as a whole if it is above the threshold for either tier 2 or tier 1.

**Annual Management Fee**

The annual management fee covers on-going management, all trading on your account at 0% as well as your storage and insurance costs.

The management fee will accrue monthly, calculated on each month end valuation of the asset value (gross asset value). On each anniversary of first investment (yearly), we will invoice the client for the yearly management fee due on the total of its portfolio.

**Liquidation Fee**

Partial or complete liquidation of the investor portfolio will be subject to a liquidation fee only in the first three years, on a decreasing scale. In year 3 the investor will incur a 4% charge upon liquidation, 6% during year 2 and an 8% if liquidating within the first year. After year 3, there is no liquidation fee on the partial or full liquidation of the portfolio.
Choose your Investment Model

**Performance Fee**

Performance fee is calculated monthly and accrued ongoing at 20% of the outperformance over an annual hurdle rate of 7% (net of management fee).

This performance fee is charged when an investor either partially or fully divests their holdings, calculated against the realised value.

If no liquidation has taken place, the accrued performance fee will be charged on the 5th anniversary of the first investment and on each anniversary thereafter, this will be calculated against a discounted valuation of 95%.

**Taking Delivery of Stock**

Each year, clients are permitted to take delivery of up to 20% of their portfolio by value.

**Execution Only Account**

<table>
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<tr>
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<tbody>
<tr>
<td><strong>Buying Fees</strong></td>
<td>5%</td>
</tr>
<tr>
<td><strong>Selling / Liquidation Fees</strong></td>
<td>5%</td>
</tr>
<tr>
<td><strong>Storage &amp; Insurance</strong></td>
<td>£10.00 per unit per annum (+VAT)</td>
</tr>
</tbody>
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This account is perfect for first time investors. Limited to either an initial investment of £10,000 or £20,000. Clients will receive our benchmark investment portfolio built and reviewed every quarter by our investment committee.

Optimised towards a low-medium risk and 5-year term, this allows a new investor a fantastic entry point into the world of wine investment. Once on board as a client, you will be allocated a portfolio manager who will undertake further buy and sell requests.

Every purchase will be charged at 5%, as well as every sale. On new purchases the cost of one year’s storage will be charged at the time (prorated to your anniversary date). After the initial investment, there is no restriction on further investments and at the point the total capital invested increases beyond £25,000 the account will automatically transfer into a Portfolio Management Account.

You will then benefit from zero fees on trading on the account, as well as priority access to stock recommendations and investment strategies, as well as liquidity preference on execution of sales.
Portfolio Creation *(Portfolio Management Accounts Only)*

Starting your investment portfolio with Cult Wines begins with a consultation around your investment criteria and aspirations. Once these are established, a dedicated portfolio manager will help build a bespoke portfolio by understanding the following:

**Risk Profile:** Cautious, balanced, high risk: we can tailor products to fit all of these profiles.  
**Term:** Wine investment benefits from a long-term view and we recommend a 5-10 year holding period.

Each investor will receive expert advice on portfolio construction and access to the best investment products through our rigorous stock selection process.

We will return to you our comprehensive and customised pre-investment proposal. Outlining the following:

- Chosen Risk Profile  
- Selection of Wines  
- Fees and Costs  
- Summary of Asset Allocation by Region  
- Investment Analysis and Research  
- Market Outlook  
- Projected Returns

**On-Boarding Process**

The process for a client to be formally onboarded and start investing with Cult Wines is streamlined and ensures a customized client experience. Documentation to be completed by each new client as follows:

- Account Opening Form  
- Investment Management Agreement  
- Investor Declaration
Once the documents are completed we will then promptly send an invoice for payment.

Investors can select the payment currency of their choice and once payment is made, investors will receive online log-in information, where they can manage and track their investment as well as the records of ownership.

Online portfolio valuations are available 24 hours a day and are updated daily.

Security of Asset, Storage & Ownership

Storage

Cult Wines have always prided ourselves on being able to offer an industry leading long-term storage option for private clients.

Investors’ wines will be stored at our brand-new storage facility in partnership with the London City Bond (LCB) network. Located in Melksham (Wiltshire), the 24,000 sq. ft. warehouse will allow all private client reserves to be stored in isolation from other trading accounts.

Our Operations team works alongside London City Bond for a complete warehouse solution, offering:

✓ Dedicated warehouse staff offering speed of service for all customers.
✓ Individual customer sub-accounts, providing greater security of asset ownership.
✓ Full-coverage temperature and humidity control.
✓ State of the art photographic studio available for all cases.
✓ Additional authenticity checks using specialist equipment and training.
✓ Comprehensive replacement-value insurance policy for all stock.
✓ Protection against fire hazard.
✓ 24/7, 365-days a year security.

Photos of our storage facility can be seen overleaf.
Insurance

Cult Wines has a comprehensive insurance policy with Marsh to fully cover the contents of the warehouse against all risks of physical loss or damage.

Ownership

Our investors feel security at all times through title of ownership of the wines. All wines are placed in individual customer sub-accounts at the professional warehouse facility.

Investors own individual cases and these are identified using HMRC-recognised sub-account codes. These codes identify the beneficial owner of the stock and ring-fence stock to protect against any third-party risks, including the unlikely instance that Cult Wines ceased trading. (Further info is included on the SLA Appendix 1)

All of the above information can be independently verified by London City Bond at any time by the client. Personal visits and inspection of stocks can be arranged at your convenience.
On-going Management & Reporting

The Cult Wines Team is there to nurture, grow and protect your money and assets. Portfolio Management clients will receive regular portfolio reviews, relevant research and first access to investment opportunities.

All clients can access their portfolios through the online portal but portfolio management clients will have 24/7 support from their dedicated portfolio manager. All investments are valued independently using Liv-Ex.

Portfolio management clients can expect to build up a personal relationship with their portfolio manager. Typically, clients will request quarterly or annual strategic reviews on their account, but the team are on hand to assist at all times.

Whilst the portfolios are tailored to the individual, the wider stock management and buy/sale recommendations are decided by our investment team. When a specific stock or strategy requires attention, this will be passed down to the client via their portfolio manager and discussed in relation to their specific holdings.

An example of what the online portal shows and looks like can be seen by logging into our example account:

www.wineinvestment.com/login
Username: info@cultwinesltd.com
Password: cultwines

Cult Wines’ holistic approach to the wine market means that clients receive all the information they could ever need to make the most out of their investment.
Selling Your Wine

Exit or Partial Liquidation

Cult Wines clients can liquidate all or part of their portfolio at any stage of the investment term. There is no lock up period however liquidation fees will apply if you choose to sell any wines within the first three years.

Cult Wines will provide advice on which wines to sell based on future forecasts, tactical allocation and risk assessment undertaken by our investment committee.

*please note this can vary depending on size of the portfolio and market conditions.

Clients can view their current stock for sale with list and reserve pricing at all times, allowing them to track the ongoing liquidation of their wines.

What are the Next Steps?

Your investment journey with Cult Wines begins by contacting our team of expert portfolio managers. Contact your local Cult Wines office using the details below:

- **United Kingdom**  +44 (0)207 1000 950
- **Hong Kong**  +852 2818 0899
- **Singapore**  +65 6909 8170
- **China**  +86 21 6085 3559

Alternatively, follow the link below to request a call back at your convenience or to schedule meeting at our office.

Schedule a Call Back