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CULT WINES

SOLUTIONS FOR FINE WINE

QUARTER THREE INVESTMENT OVERVIEW 2020

THE QUEEN'S AWARDS FOR ENTERPRISE: INTERNATIONAL TRADE 2017

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Introduction

Portfolio based investment grade wine is one of the most established alternative assets available to investors looking for tax-efficient, asset backed diversification and capital growth opportunities. Over 13 years, Cult Wines has become the global leader in wine asset management, providing analytically based, fine wine investment advice. Combining our experience in the fine wine market, statistical and quantitative research and algorithm based modelling, our unique approach has driven our Assets Under Management (AUM) to over £150 million. Our own CW index returned +124.89% since October 2009 (annualised returns of +7.71%). With low interest rates, inflation concerns, low returns from traditional financial assets and an uncertain economic outlook, many investors are looking at ways to enhance their portfolio returns, diversify exposure and generate consistent capital appreciation.

This Third Quarter overview summarises the global financial and fine wine market performances to June 2020.

Cult Wines Index Performance

Cult Wines Index	Period From	Period Until	Total Performance	CAGR
Q3 2020	30/06/20	30/09/20	1.12%	-
2020 YTD	31/12/19	30/09/20	1.57%	-
1 Year	31/12/18	31/12/19	-0.98%	-
3 Years	31/12/16	31/12/19	16.17%	5.13%
5 Years	31/12/14	31/12/19	46.67%	7.96%
All Time	31/10/09	30/09/20	124.89%	7.71%

Amber Lion Partners

Amber Lion Partners AG is a Zurich-based regulated Multi Family Office. It was founded in 2019 by former veteran bankers who decided to leave old banking models, and consolidate the best customer experience and value proposition they accumulated over the last 25 years.

The company provides Asset Management services and investment products across asset classes (dynamic fixed-income, option trading strategies, small cap equity in the High Tech sector), Global Credit Advisory (real estate, marine, aviation), and Venture Capital opportunities.

Our key focus: performance, agility, independence, alignment of interests and transparency.

Global Markets Overview

In partnership with Amber Lion Partners

Q3 was a good quarter for equities. The main indices continued their rebound and reached new highs. Some markets at the end of Q3 were even higher than before the sell-off in February and March.

US markets did very well, especially compared to Europe and Japan. The main driver was certainly coming from the very accommodative monetary policy of central banks as well as a quicker recovery of the economy than previously expected.

However, at the end of Q3, markets started to correct as it was clear that the economic recovery would take longer. Covid19 cases around the world started to rise again and in addition investors got concerned about the US election. This led to a wide-market correction at the beginning of September. The MSCI World gained 8% in the third quarter. Still a very good result but definitely weaker, momentum compared to the previous quarter.

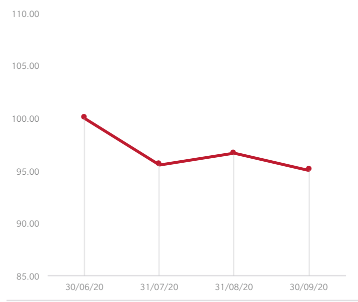
United States

In the US the tech rally continued to make investors happy. As a direct result of the Covid-19 pandemic, many companies in the technology space continued to profit and expanded their revenues. Within the S&P 500 index, the tech sector has gained weight. Apple has now a 7% weight in the index. Many investors have become concerned about the high valuation of equities, and while it is true that the Price/Earnings ratio has increased to 25 on the S&P 500 we think that in a low-growth world, higher valuations can be better explained. An alternative way of looking at valuation is the so-called Fed Model, which compares the equity earnings yield against the US 10-year Treasury yield. On this basis, equity valuations look fair.

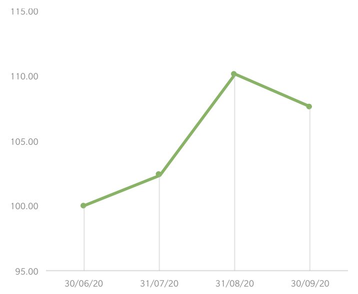
Europe

In Europe there has been less enthusiasm in the 3rd quarter compared to the US. Markets have traded sideways with the STOXX Europe 600 only gaining ca. 0.5% during that period. In the Eurozone there is less optimism and conviction regarding the economic recovery, and this can be seen in the PMIs for both regions. The composite PMI for the US shows a value of 54.4 against 50.1 for Europe. In UK, the central bank kept interest rates at record low levels and the Bank of England signalled that it would start looking at how to make negative rates operational.

FTSE 100



DOW JONES



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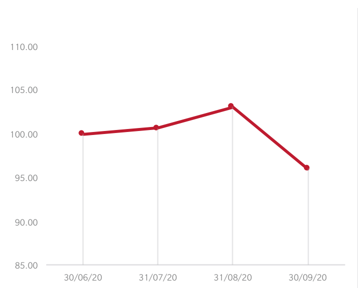
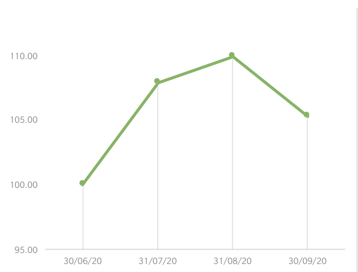


GOLD



Source: Bloomberg.

Emerging Markets

Emerging markets benefited from the weakened dollar. The MSCI Emerging Markets index increased by 8% in Q3. Generally speaking, Asian countries have managed the Covid-19 crisis much better than western countries, and life in China has returned almost to normality.

Commodities

Gold had an impressive rally of 16% and peaked at USD 2,063. This move was too strong to be sustainable. From the beginning of August until the end of September, the metal lost around 8%. Nevertheless, we believe the environment to go long Gold is supportive, as the precious metal benefits from very low interest rates, expansive monetary policy from central banks and continued uncertainties.

Market Outlook

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Markets are clearly focused on the US Election. This will be the big event in Q4 that could trigger higher volatility. Most polls in the US show Joe Biden holding a 7% lead over Donald Trump and we might even see a democratic sweep with the Democratic Party taking control over Senate and keeping the majority in the House of Representatives.

While clearly this would be bad news for corporate taxes (Biden wants to increase from 21% to 28%), we think that with regard to the trade war with China a certain de-escalation can be expected. Given that polls are pointing towards a Biden victory, markets seem to be concerned about the risk of Trump questioning the results and taking legal action against them. This is a scenario, in our view, can be clearly observed in the implied volatility of options of the VIX Index, often referred to as the Fear Index. The historical average level of the Index is around 15 but currently trading at levels of 25, pointing towards higher expected future volatility.

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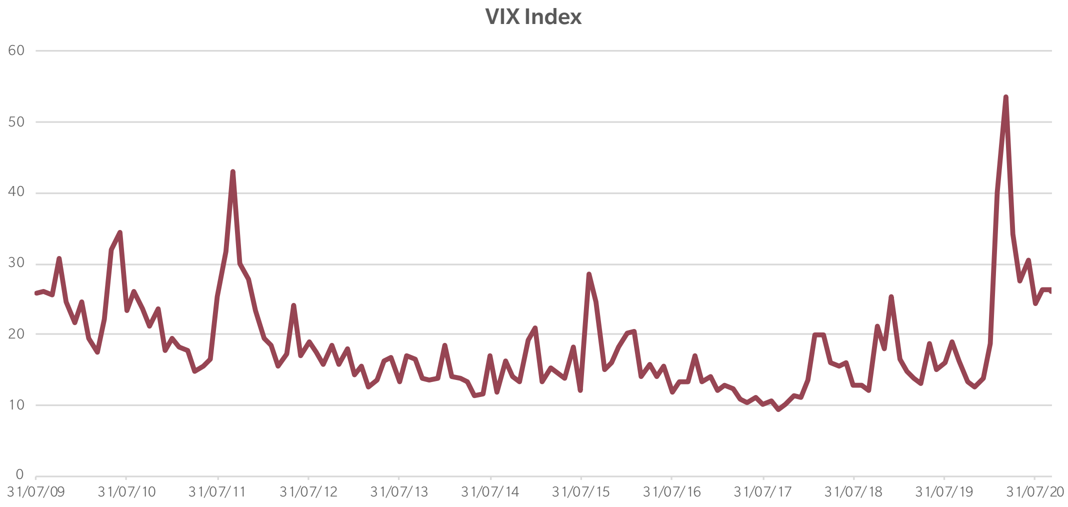
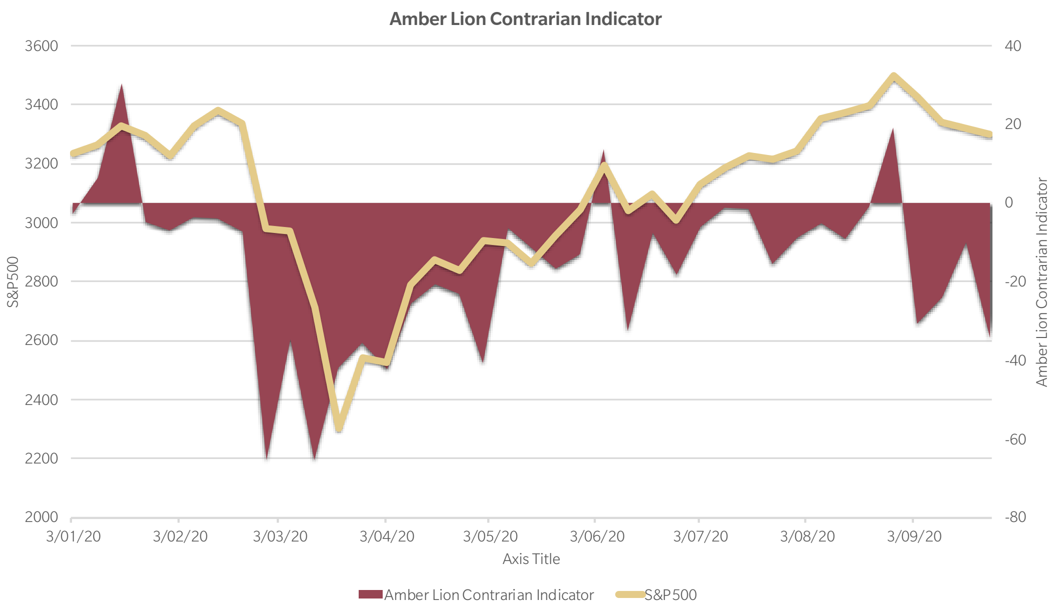


At the beginning of September, we had a clear sell signal, many stocks traded at a 52 weeks high level and we saw that the volume of traded Put options were very low as compared to call option volumes. The magnitude of the price increases in August was too strong, indicating a potential trend reversal.

At the end of September our indicator pointed towards a buy signal and is now neutral.

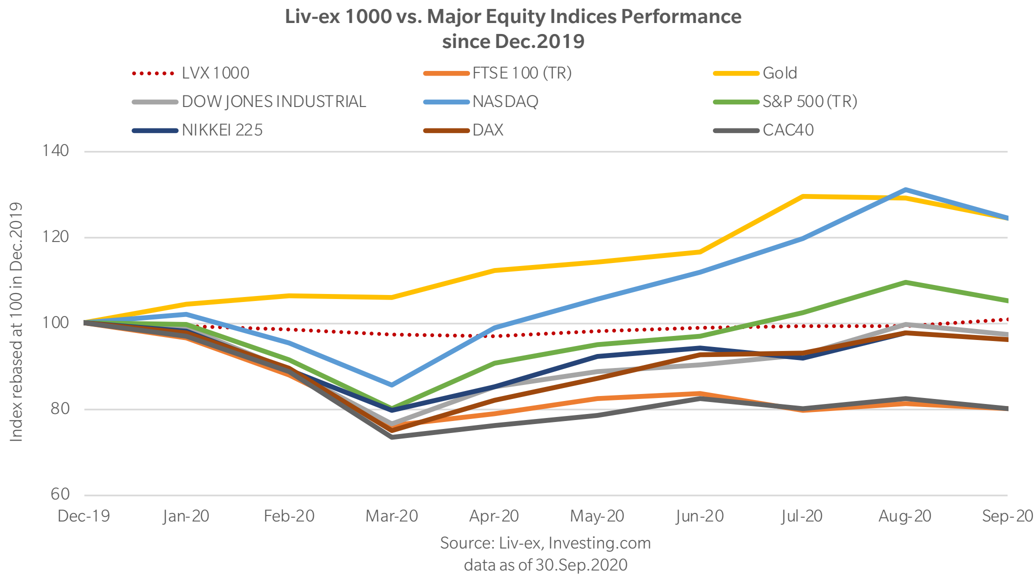


For the fourth quarter we have a positive view on equities, and the reasons for that are: expansive monetary policy, better than expected earnings, and potential positive news on a vaccine progress. The main risk we see is the US election, particularly a potential "landslide victory" for the Democrats and the potential impact on corporate taxes, or a scenario were Trump would challenge the outcome.

Fine Wine Market

In Q4, global investors face an uncertain outlook. The recent volatility we have seen in equity markets has not helped provide confidence among investors. More importantly, a reliable association between stocks and government bonds that used to define a well-balanced investment strategy appears to be broken this year as correlation between these two asset classes has gradually increased. Some investors worry the rupture is not temporary. This increases further the need for diversification to navigate the changing investment landscape.

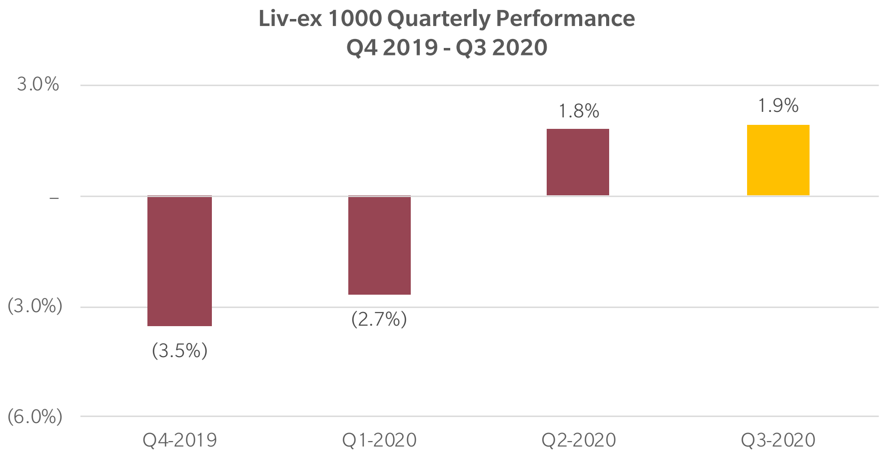
By contrast, we have witnessed that Fine Wine volatility was a lot more subdued than Gold's or equities' during the Covid-19 pandemic, which is ongoing with no end in sight. Fine Wine has also delivered a solid performance in Q3 reinforcing the view that Fine Wine offers a unique balance of risk and reward, as demonstrated in periods such as this one. We see a bigger role for Fine Wine to play, both for diversification and wealth preservation.



Executive Summary

- Both Liv-ex 1000 (+1.9%) and Liv-ex 100 (+3.6%) posted strong gains in Q3, reversing losses seen the first half of 2020
- The First Growths of Bordeaux gained 2.7% in Q3 for a total of 5% since March 2020
- The third quarter saw the Champagne, Italy and Rhone regional indices achieve new closing records
- Champagne continues to provide excellent liquidity with bid-ask ratio nearing 1 in August*
- Italy saw a big jump in trade share, led by recent vintages of Super Tuscans and growing appetite for Barolo
- Emerging wine regions registered positive investor flows during La Place's September releases

*https://www.liv-ex.com/2020/09/live-opportunities-champagne-putting-fizz-festivities/



Bordeaux

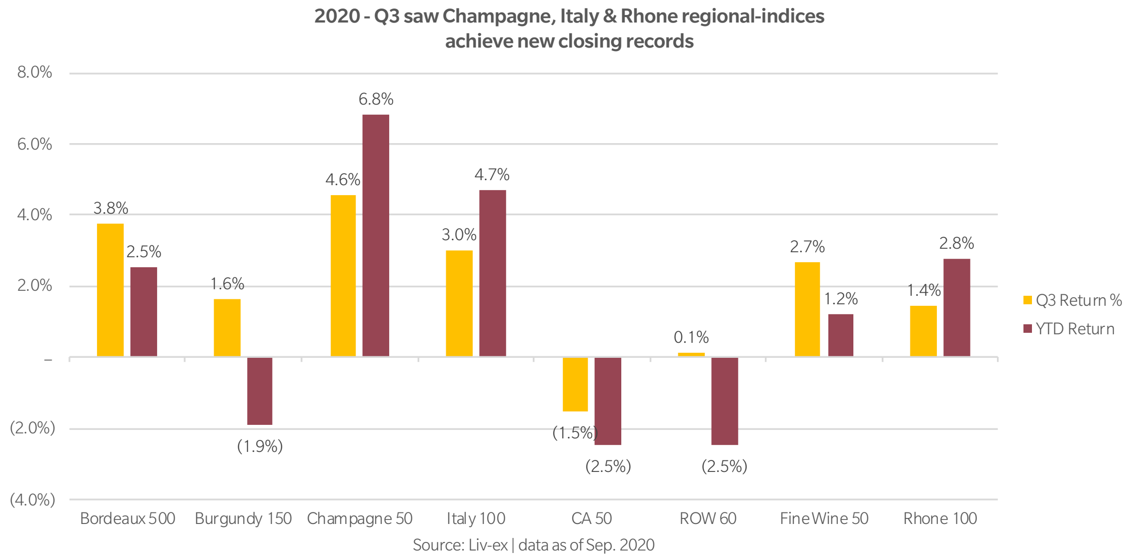
The Bordeaux-dominated Liv-ex 100 rose 3.6% over the quarter. Despite March's loss, which was mainly caused by pandemic-led weakness, Bordeaux 500 - the major benchmark index of the region – had a strong Q3 with gains of 3.8%, while the Liv-ex 50, tracking the performance of First Growths also recorded a solid rise of 5% since March, with much of the gain powered by Haut Brion, Latour and Mouton Rothschild.

Within the Bordeaux 500 index, Left Bank[1] wines were marginally outpaced by their Right Bank counterparts, with Pavie and Angelus from the Right Bank[2] among the quarter's winners. In the Left Bank, Leoville Las Cases, Ducru Beaucaillou and Mission Haut Brion have also performed well, with multiple vintages from these producers posting positive returns in Q3. For example, Leoville Las Cases 2008 rose 7%, while the two 100-point vintages 2010 and 2009 from Mission Haut Brion rose 8% and 14% respectively.

Turning to the First Growth category, Asian demand has come back strongly fuelling activity in Lafite Rothschild and Mouton Rothschild, both figured in Liv-ex's top 5 traded wines during the quarter. In the last week of September, Red Bordeaux has seen its market share, as measured by value, decreased below 30% for the first time[3]. Conversely, Italy saw a large jump in market share, rising from 11% to 17.7% in the last week of September, reflecting a continuously diversifying wine market and changing consumer demand. Despite the recent decline in trade activity, Bordeaux still remained the most bid-for region on the exchange, with household names still dominating the secondary market activity. For example, Lafite 2016 appeared 4 times in Liv-ex's weekly top 5 traded wines by value over the course of Q3.

In a recent survey conducted by Liv-ex, "What merchants are searching for in 2020?" examining the fine wine trends in the first half of 2020, results showed that Lafite Rothschild tops the name searches among wine merchants in Asia and the UK, while Europe's favourite is Petrus. Also, among the top 10-traded wines in Asia, five are from Lafite Rothschild, with 2014, 2016 and 2017 vintages topping the list, and the other three Bordeaux are from Mouton Rothschild. Such concentration on searching preference indicates that consumer and investors' confidence remains high for top Bordeaux wines despite the relative decline in the region's trading activity.

1 In the context, Left Bank 200 index is used as representative of performance for left bank of Bordeaux.
2 In the context, Right Bank 100 index is used as representative of performance for right bank of Bordeaux.
3 https://www.liv-ex.com/2020/09/talking-trade-sweet-september-releases/



Champagne

Champagne 50 index gained 2.3% in July, its best month for the past 20 months and ended the quarter 4.6% up. Much of the quarterly gains were centred in the highly acclaimed 2002 vintage and 2006, with a strong relative value case. In terms of producers, Dom Perignon, Pol Roger Sir Winston Churchill and Taittinger were among the quarter's top winners. In particular, the majority of vintages of Dom Perignon within the Champagne 50 index have risen by more than 5% each.

At the end of Q3, Taittinger, finally released its long-awaited flagship Comtes de Champagne 2008, a benchmark vintage for the region. The wine was rated 98+ points by Vinous, the highest score in Antonio Galloni's latest Champagne tasting in August, and 98 points by the Wine Advocate. The performance for the region was also boosted by the Chinese Moon Festival, a time when we normally see a jump in demand coming from Asia.

Italy

Liv-ex's Italy 100 continued its march higher and added 3% in Q3, its 3rd consecutive quarter of growth, largely helped by Sassicaia with the majority of its constituents' vintages advancing. The average price of Sassicaia covering vintages between 2007 -2016 was £1,770 per 12*75cl in 2019 and increased to £1,980 by the end of September this year, representing a 12% growth rate on average. Noticeably, other Super Tuscans such as Solaia and Tignanello performed well as well and greatly contributed to this quarter's gain, with Solaia 2015 and 2016 and Tignanello 2016 rising more than 10%.

Early in September, both Masseto and Solaia released their 2017 vintage along with Masseto's second wine Massetino 2018. Masseto was awarded 98 points by Lisa Perrotti-Brown from the Wine Advocate. The recently released Solaia 2017 received 95 points. Looking beyond the heavily traded Tuscans, Barolo 2016's, which is considered an exceptional vintage and described as "golden age" by wine critics, have registered positive investor inflows in Q3, highlighting the strong demand.

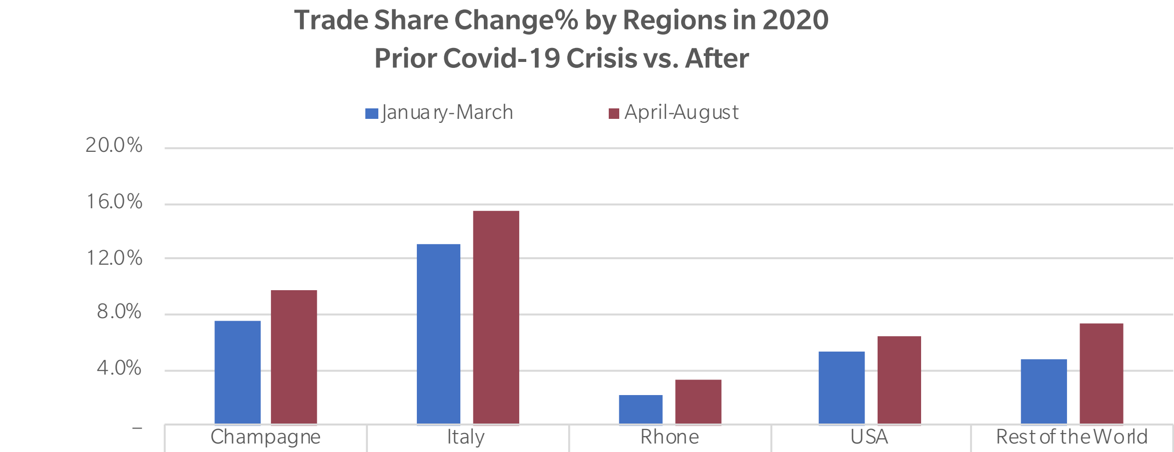
By the end of August, the value of Italian wine traded on Liv-ex in 2020 was reported to exceed the whole of 2019. In particular, Giacomo Conterno, Barolo Riserva Monfortino 2013 topped all wines in trade by value for the year.
Overall, Bordeaux registered a 9.1% decline in trade share since April, while Italy (2.3%) and Champagne (+2.2%) have seen the largest jump in trade share during the same period.

US & Rest of the World

Despite an upbeat end to Q2, the Rest of the World category finished almost flat and US slightly down in Q3, slightly weighted down by moves from Penfolds, Grange and Dominus. In August, we have noted that a clear consumer preference for the 2016 vintage is observed among US and New World wine regions including Australia. The 100-point scored Harlan Estate 2016 (US) and Screaming Eagle 2016 (US) were both featured in Liv-ex's top traded wines by value, while Penfold Granges 2016 (Australia), with 99 points by the Wine Advocate, was also included in this quarter's lists.

Over the course of Q3, the Rest of the World region hit an all-time high in terms of trade share, with the number of unique wine labels traded on the exchange exceeding the previous month's record by 15%, according to Liv-ex. Much of the increase in trade activity was powered by US, Australia and Spain, indicating a broadened consumer preference and growing demand for these regions.

To investors, these regions are historically defined as Emerging Wine Regions due to smaller secondary market activity, lower brand visibility and limited focus from major wine critics. However, in recent years, a number of producers have gained in notoriety on the back of more widespread distribution via La Place - the historic system used to distribute the wines of Bordeaux globally, improved quality reflected by higher critic scores, and an accessible price point.



	Champagne	Italy	Rhone	USA	Rest of the World
January-March	7.5%	13.1%	2.2%	5.2%	4.8%
April-August	9.7%	15.4%	3.2%	6.3%	7.3%

New Release Round Up

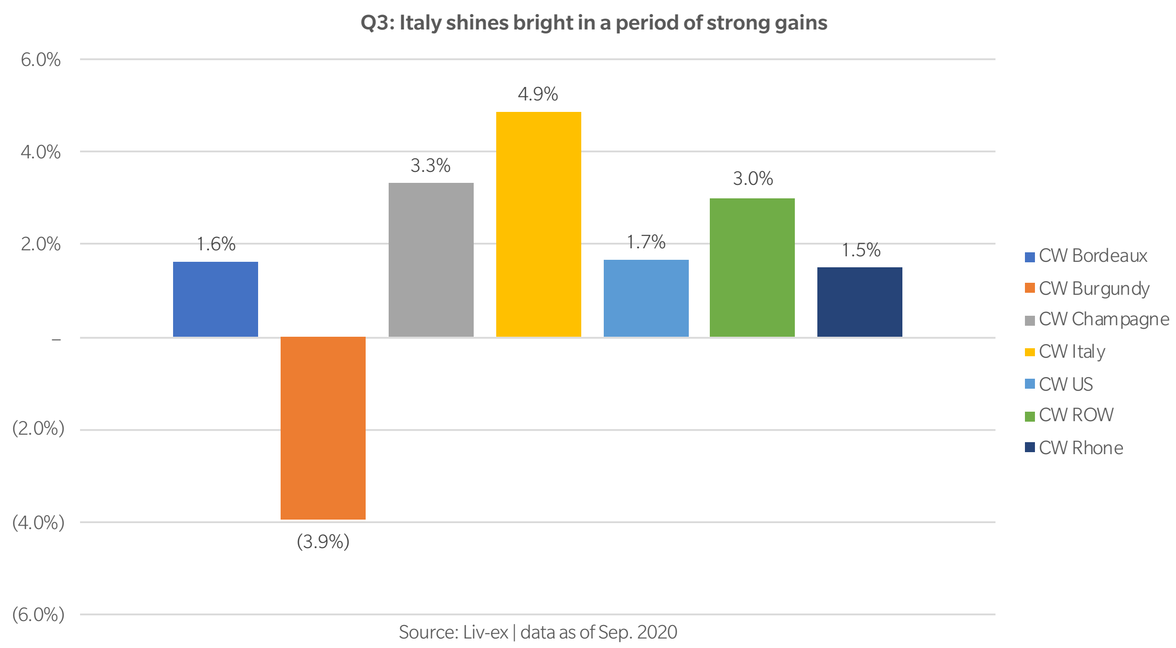
In September, the newest La place releases dominated the headlines in Fine Wine market, with Chilean icons Almaviva 2018, Seña 2018, USA's Opus one 2017 and Italy's Masseto 2017 all releasing during the same period. According to wine merchants, certain names have found a healthy demand worldwide. Similar to our experience for Bordeaux En Primeur in June, many producers released their wines at a discount to prices of the previous vintages, albeit marginally, reacting to a slowing economy and weakened consumer sentiment due to the pandemic.

In conclusion, given the high degree of uncertainty around the outlook for the virus, we continue to believe that it makes sense to aim for a balanced and well-diversified portfolio while considering which region has more room to outperform on a tactical and shorter horizon.

Cult Wines Q3 Performance

CW Main

CW Main index, which includes all-regions, closed the quarter with a strong gain of 1.1%, pushing the year-to-date performance to 1.6%. Within the CW main index, most regions had their best quarters so far this year, with CW Italy (+4.9%) considerably leading the gain, followed by CW Champagne index (+3.3%) and CW Rest of the World index (+3.0%).



CW Italy

CW Italy index rose 4.9% in Q3, making it the biggest quarterly rise since 2019. On a regional level, Super Tuscans proved their reliability to generate returns in a challenging period, with several vintages of Tignanello, Masseto and Sassicaia all rising more than 10% in Q3. So far this year, CW Sassicaia and CW Tignanello index have risen 13.8% and 9.8% respectively, reflecting consistent returns among vintages included in the CW investment portfolio.

Turning to Piedmont, E. Pira (Chiara Boschis) 2016, which was awarded 100 points by Antonio Galloni in February, has been the top performer among Barolo wines of the year, with a total gain of 35% since March. Adding to that, we have established that prices for Barolo's finest have been driven not only by the wines' quality but also by their scarcity and exclusivity. For example, Giacomo Conterno, Barolo Riserva Monfortino 2006 and 2008 both have appreciated over 8% over the quarter, and the 2013 vintage has been the most traded Italian wine by value so far on the exchange, reflecting strong demand and more confidence for Barolo wines among investors.

CW Bordeaux

CW Bordeaux closed the quarter 1.6% higher, extending gains from Q2. Within the index, the names that stand out as Q3's major movers are Smith Haut Lafitte 2008, Lafite Rothschild 2018 and Angelus 2012. In particular, the highly acclaimed Lafite Rothschild 2018 gained 21% in Q3, pushing its total return to 25% YTD, driven by the prospects of the 150th Anniversary special bottle (officially announced in October)

Mission Haut Brion 2019, which released at £2,256 ex-London in June this year, has increased its value by more than 20% by the end of September, making it the biggest riser among our 2019 EP exposure currently trading at £2,750. Pontet Canet 2019, the second-best performing wine in CW EP portfolio, rose by 14% since release, with the outperformance largely driven by reasonable pricing and outstanding quality. Pontet Canet 2019 was among the first major Bordeaux 2019 release via La Place and was awarded a barrel score of 98-100 points by the Wine Advocate.

CW Burgundy

CW Burgundy index closed the quarter 3.9% lower, making it the only region with negative return in Q3. Burgundy's underperformance over the past year can be largely explained by relatively expensive valuations and volatile price movements. The thin liquidity associated with wider bid-ask spreads is a major factor to better explain the price volatility normally found in Burgundy. Within the CW Burgundy index, DRC, Romanee-Saint-Vivant Grand Cru 2009 and Domaine Leroy, Latricieres-Chambertin Grand Cru 2013 from iconic producers and Domaine Coquard Loison Fleurot, Clos de la Roche Grand Cru 2017 and Joseph Drouhin, Mazis-Chambertin Grand Cru 2016 from first-tier producers were among the notable negative moves as recorded by Liv-ex prices.

Given the nature of Burgundy's secondary market, valuation and realised prices can differ meaningfully, especially for the most iconic wines, where provenance and accessibility reign supreme. As demonstrated by the recent Sotheby's auction in Hong Kong , where pre-sale estimates were almost doubled, appetite for these wines is not vanishing and the long-term prospects are well supported.

CW Champagne

Demand for Champagne strengthened, partly because consumers in Asia have been preparing for important events such as Chinese Moon Festival and National day, which both occurred on the 1st of October this year, resulting in positive trade flow for the region. CW Champagne index had its best quarter of the year, up 3.3%, with much of the gains concentred in vintages 2002 and 2008. Of the constituent wines, Ruinart, Dom Ruinart Blanc de Blancs 2002 and Taittinger, Comtes de Champagne 2002 both rose more than 10% each and Louis Roederer, Cristal Rose 2008 jumped 16.9% in Q3. The majority of wines within the CW Champagne index ended the quarter with positive returns.

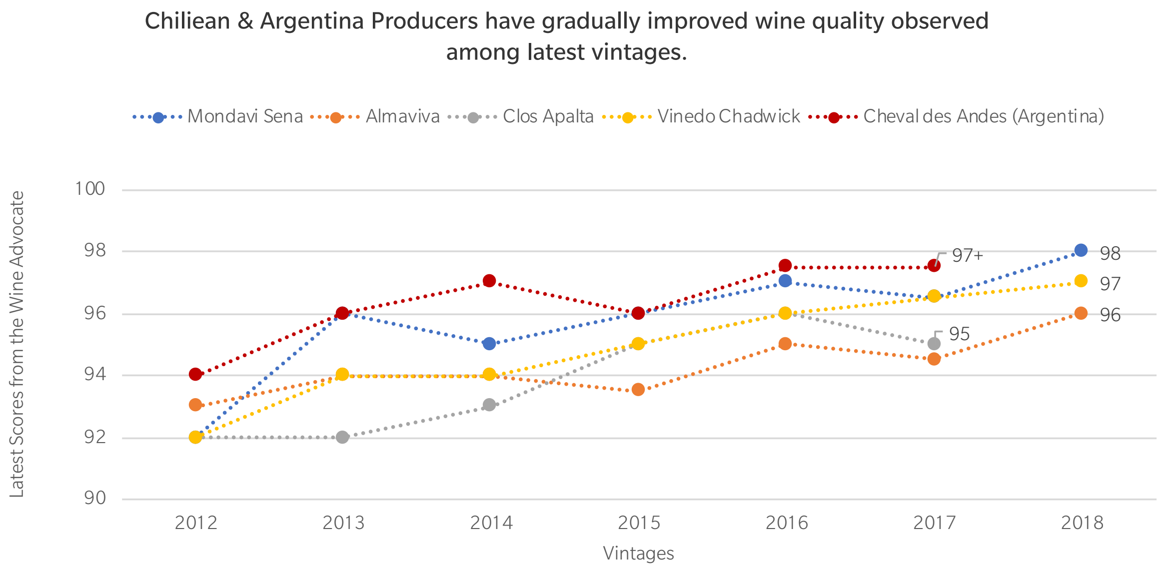
CW US – The CW US rose 1.7% in Q3, making it the second-best performing region so far this year with a YTD gain of 6.4%. A few older vintages of Napa were among the quarter's major movers with Opus One 2005 and Screaming Eagle 1995 up more than 5% each. Recent vintages of Kapcsandy 2016 and Realm, Houyi Vineyard 2017 also delivered solid gains within CW US portfolios.

Screaming Eagle 2015 has appreciated by 27.4% since the beginning of the year and the wine is the most traded wine by value on the Liv-ex. For investors, US has had a strong year in 2020 with encouraging price performance.

However, there are growing concerns that California is suffering from an ongoing mismatch between overpricing and a shortage of demand both domestically and overseas. Ongoing trade disputes impacting the latter whilst current Covid-19 issues are not helping the situation at home.

CW Rest of the World

CW ROW reported a strong quarterly gain of 3%, with Chile and Australia greatly contributing. Within Chile, Seña and Almaviva remained the bright spots with increased brand awareness and improved quality as measured by scores from influential wine critics. In recent years, iconic Chilean wine exposure in the global wine market has been greatly expanded thanks to its decision to join the La Place de Bordeaux, the famous distribution system.



CW Rhone

The CW Rhone closed the quarter 1.5% higher, and Domaine Jean Louis Chave, Hermitage, Rouge 2004 (+32.9%) and 2009 (+31.9%) were among the best performers of the region. E. Guigal, Cote Rotie is another name to watch in Northern-Rhône, with La Turque 2006 and La Mouline 2000 both returning over 30% year-to-date. On a tactical horizon, we are overweight on Rhone for its potential to add value and diversification.

Over the past decade, the fine wine market has broadened considerably, and the regional share has become more balanced. This could suggest that great opportunities are attracting investors who have traditionally not invested in regions outside Bordeaux, which still constitutes the backbone of most wine portfolios. Changing buying patterns and a expanding distribution network, along with greater recognition among wine critics have all helped make Emerging Wine Regions potential stand out in the future.

CW Regional Views

Bordeaux

On a strategic basis, we are neutral on Bordeaux overall. On a tactical horizon, whilst we have seen activity come back strongly across the region post EP-19 we remain concerned about the large volumes of recent Bordeaux vintages held and offered to the market. Changing consumer preference towards other regions is on the rise and diversification needs among investors pose risks to the region. Despite the neutral stance, we still favour First Growth exposure for good liquidity and resilient demand. On the positive side, some more recent vintages have been favoured among wine market participants, with much of the trading activity centred in the 2016 vintage.

Champagne

Our Q3 trading activity has demonstrated that our clients in Asia have shown increased liking for vintage Champagne, which often has the potential to age for decades. During the lockdown period , region-wide sales of Champagne were expected to be down by 40%, which might put some pressure on Champagne producers in repricing their latest releases, leading to good opportunities. Outside of the new issues, we are focused on prime vintages that are reaching critical availability in the market. In our view, Grower's Champagne has the potential to add value with scarcity, quality and diversification within the Champagne allocation.

Burgundy

We are overweight on Burgundy overall but remain very selective with a fine balance of selected wines from Iconic estates and up-and-coming producers across the region. Potential decline in price for "Trophy" wines due to the pandemic-led economic uncertainty makes the entry point more attractive for investors who intend to further their Burgundy exposure or the new entrants. Looking beyond the secondary market, Burgundy 2018 continued to be well-offered suggesting some un-sold stock from the latest En Primeur campaign.

Italy

The strategic case for holding Italy has materially strengthened with the number of Italian wines traded on the exchange reaching record highs. We like Super Tuscans for robust performance and strong liquidity combined with more specialist Barolo and Barbaresco, both of which bear similar trademarks to Burgundy. Piedmont is fast becoming the most sought-after sub-region in the secondary market.

Compared to the five heavily traded Super Tuscans, we see the wide range and diversity of wines usually found in Barolo as positives that helped broaden the region's global exposure. In addition, Barolo's latest released 2016 is considered a great vintage for Piedmont by several wine critics. Merchants are reporting healthy demand with Barolo 2016s and Barbaresco 2015s selling out quickly.

During the lock down period since March, 50% of CW Champagne Sales for Q3 were in Asia

US

We move to a modest underweight in the US as global demand for US wines appears uncertain with the hospitality sector not yet recovered from COVID-19. On a tactical horizon, we cautiously maintain our preference over selected US producers with high growth opportunities.

Rhone

We keep our strong overweight in Rhone. We see potential for higher global demand over time and favour Southern Rhone in strategic allocations. In 2020, Rhone appeared to be on the rise as the trade value registered in April was almost three times January's levels. In our view, many investors remain underinvested in Rhone as they overestimate liquidity risk.

Emerging Wine Regions

We are overweight Emerging Wine Regions, which include Spain, Chile, Argentina, Germany and Australia. In particular, we maintain our overweight in Spain and increase our overweight in Chile for its markedly improved quality and increased brand recognition among a few iconic names. Being included in the La Place de Bordeaux is considered one of the many positive factors that has helped broadening the region's exposure worldwide.

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