



Pala: Wine investment has become increasingly attractive in recent years

# A liquid investment

Wine as an investment class has become more appealing in these volatile times

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INVESTMENT in quality wine is fast making waves across the globe as an alternative investment class amidst plummeting equity value, extreme volatility and looming recession. It appears that many investors are diversifying their portfolio into premium wines and others, including teetotallers, are also jumping into the bandwagon.

Sure Holdings Ltd managing director James Pala says the biggest appeal of wine as an alternative investment class is that it is low risk, offers stable returns and has a low co-relation with stocks and bonds.

In addition, he points out that wine investment has also become increasingly attractive in recent years due to the fact that people



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do not have to pay capital gains tax when they sell their wines.

Vintage Assets Pte Ltd director Lionel Lau says the investment in this "liquid asset" is unique as once wine is produced in a certain year, it can never be repeated again in line with the famous saying in Bordeaux "Once in a bottle, never again".

Bordeaux is a province in France and the mother of all quality and investment grade wines of the world.

From the world's total production, only 1% is categorised as investment grade wine, out of which 80% comes from Bordeaux.

Lau says the longer a wine is held, the higher the price it can fetch and the higher the potential returns. During one of the great vintage years of 2005, he says the price of certain wines surged by over 148% between the pre-bottling stage (in June 2005) to the time they hit the market three years later.

General manager Chris Low says great vintage is a term used to describe the best harvest by the top critics of quality wines.

The top five performing wine brand of Vintage 2000, Low says, is Lafite Rothschild, Haut-Brion, Latour, Mouton Rothschild and Margaux.

Sure Holdings and Vintage Assets are believed to be the only two wine advisors and brokers operating in Malaysia. According to Lau, the higher consumption and demand is set to drive existing investment and collection of wines in the global market.

He says investment grade wines like Lafite has survived three recessions - of the eighties, nineties and the present one.

Annual returns on investment grade wines, says Pala, especially those from Bordeaux can typically rake in returns of between 12%

and 20%, even though they have averaged far higher returns over the last 25 years.

Liv-ex, the world's biggest fine wine index based in London, estimates the prices of the best vintages have currently increased by 50% since the start of last year, in sharp contrast to the global stock market, where prices had fallen by 15%. Over the last 12 months, he says wines traded on the Liv-ex 500 Fine Wine Index has increased by 14.4% as against a decline of 33% and 37% on the FTSE 100 and S&P 500 respectively.

Due to its close proximity with France, London is currently the wine hub of the world as it has the best bonded public wine warehouses equipped with high tech facilities and conducive storage temperature, amongst others.

The turnover on wine investment in Britain alone has currently reached over a billion dollars, not accounting for the US and Asia markets.

The trend in Asia is visible. Hong Kong recently abolished tax on wine and beer in a bid to become a wine hub in the region.

He says in Malaysia the market for investment grade wines was on the uptrend as investors were looking for safer investments to grow their monies.

Pala says he generally advises his clients to go for less risky and relatively short to medium term (two to three years) type of investment.

"We trade Bordeaux wines and part of it is the 1855 classification. Over the last three years, we have recommended 40 different wines to our clients with investments totalling £69,000, which have made returns of 43% (£98,000 in value) during the period," he notes.

Vintage Assets was set up last year. Lau says the lowest return raked in by a client so far is less than 20% return a year.

Wine investors in Malaysia are generally high net worth individuals who are businessmen, CEOs of companies and banks, university lecturers and doctors.

Before investing, Lau says that he analyses his clients' risk appetite and the time frame they expect to realise their investment returns, be it two, three or even in five years time. Both Pala and Lau advised their clients to store their wines bought at bonded warehouses in London to ensure its premium quality.

"It is not advisable to ship them to other parts of the world as it is risky and will affect the wines quality, leading to depreciation in value," Pala remarks.

## Top 5 performing wines of Vintage 2000

Brand	Release price (£)*	Current price (£)
Lafite Rothschild	1,850 per case **	10,850 per case
Haut-Brion	1,850 per case	5,600 per case
Latour	1,850 per case	9,500 per case
Mouton Rothschild	2,200 per case	5,900 per case
Margaux	1,850 per case	8,300 per case

\*\* per case is 12 bottles  
\* Release price refers to price before bottling  
Source: Liv-ex