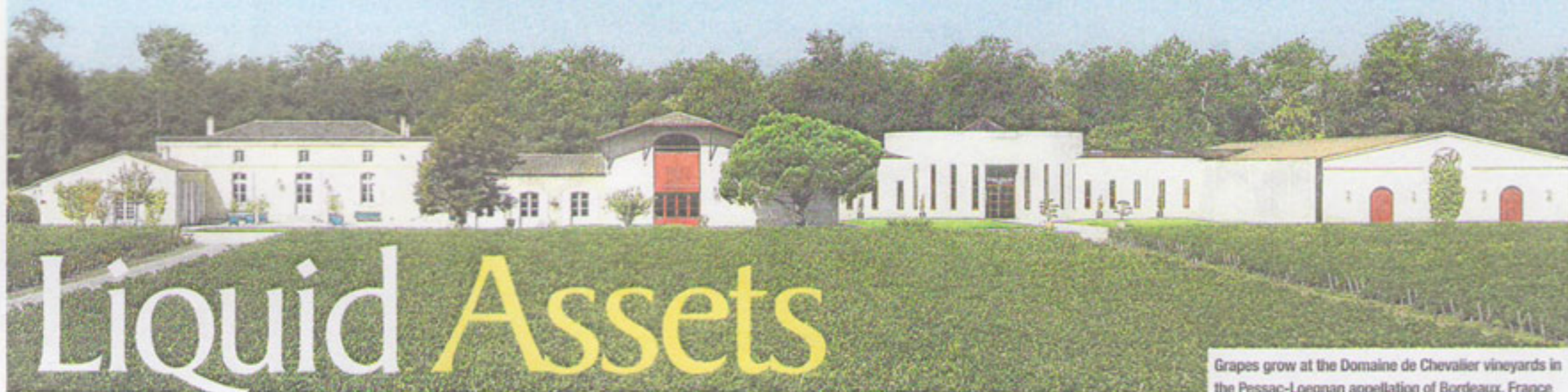


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Grapes grow at the Domaine de Chevalier vineyards in the Pessac-Loignan appellation of Bordeaux, France

# Liquid Assets

Investors take shelter from the financial storm by turning to fine wine

**N**o one can say they didn't see it coming. The global financial crisis had been brewing for a while when it culminated recently with the crash of stock markets, the collapse or buyouts of large financial institutions and government bailouts. *The Telegraph UK* reports that this has led to thousands of investors scurrying over to fine wine in hopes of escaping the tumultuous stock markets.

This does not come as a surprise to those following the fine wine market. It's smart money as far as they are concerned. Risks are minimal and the market is mainly driven by collectors and consumers. On top of that, the returns on investment of grade wines, especially from the Bordeaux region, can go up to between 12% and 20% per annum, even though these wines have averaged far higher returns over the last 25 years.

Passionate oenophile Lionel Lau says: "Look at the track record of wine investments. Over the years, never once has the value of a wine ever dropped below its release price."

Lau is executive director of Vintage Assets Pte Ltd, a wine investment company with offices in Malaysia, Singapore and Bordeaux. Right now, he and Chris Low, his partner and general manager, are handling over S\$20 million (RM47.8 million) worth of wine, literally putting into practice the mantra that drives the company — Passion to profits. The tagline could also double as a perfect description of wine investment. Most investors start out as wine lovers or drinkers at least.

"You don't have to know much about wine. That's what we are here for. And we're completely independent, which means we don't keep stock and try to clear them off through you. We advise you professionally, with much objectivity. All the decision is yours — we advise and we facilitate," explains Lau.

Some people like to compare fine wine with art as both have an intrinsic value above what they fetch at auctions. This may be true, but where art is concerned, there is no guarantee that the value of the piece will increase or not. Lau says, "In art, there is only one piece produced and then sold. If a person buys it for a private collection, the value of the art piece may remain stagnant. Who's to say whether or not your art piece will appreciate in value?"

"The value of wine on the other hand is driven by investors, collectors and consumers. People in Bordeaux have a saying — "Once bottled, it will never be repeated". Basically, the commodity is available in a limited quantity while the worldwide demand increases. It is the scarcity that raises the value of the wine. Let's say you buy one of the 20,000 bottles available. That's



Barrels line the cellar at Chateau Margaux, in the Bordeaux region of France



White grapes sit in bins after being picked at the Domaine de Chevalier vineyards in the Pessac-Loignan appellation of Bordeaux

one bottle less now, making it rarer, driving the value of the bottle up."

Investors rely on the say-so of established pundits such as Jancis Robinson and Robert Parker. Robinson and Parker are some of the world's experts that are privy to winemakers' offerings. Investors also refer to the London International Vintners Exchange (Liv-Ex), an electronic trading platform launched in 2000 which has an index called the Liv-Ex 100 Fine Wine, which basically tracks the prices of 100 wines. Last month, index was reported to be up 9.5%.

Besides being a good hedge, there's another attraction factor to wine investment. Unlike stocks, it's more fun liquidating your assets — by drinking it.

Anyone can do it, says Lau. The best is to target Bordeaux wines, the most universally traded wines for investment. "In the old days, collecting wines was reserved for the wealthy because they had the means to install a purpose-built cellar to store those wines. Today, we have purpose-built warehouses that provide wine-friendly environments, with UV light and temperature control to better store your wine. Facilities like these allow the everyday person to have his own collection of fine wine," he says.

You can start with as little as S\$10,000. This usually includes storage, insurance and progress — with the advice of a wine broker. Like a stock broker, a wine broker will assist you in the buying and selling of wines, providing capital growth advice as well as help you decide exit strategies.

Vintage Assets relies on its worldwide network of leading brokers and merchants to help it buy wines on behalf of its clients. If you want to sell through an auction house, the company helps to prepare the relevant paperwork.

"You get all kinds investors," reveals Lau. "You have those who are mainly interested in profits, but you also have those who collect wines for their rarity... and



Patrick Meadre, chief operating officer of Bonhams, takes a bid during one of its auctions at the Crown Wine Cellars in Hong Kong

these are the ones who don't really care if the wine is drinkable or not. There was once a wine bottled in 1811 that fetched a fortune because that was the year of the Great Comet."

And of course, there are the wine drinkers, who do it for both passion and profit. Your wines can be withdrawn for consumption at any time, arranged by your broker, but of course you will need to pay relevant charges such as freight, sales tax and duty.

"We have storage facilities in Geneva, London, Hong Kong and Singapore," explains Lau. "We mainly advise our clients to store their wines in London as it is a fine wine hub and the best place for you to trade on the world market. The value of any wine that is shipped out of Europe falls by 20% because of the perceived damage during transport. We advise you store it there until you've sold it, and let the buyer worry about the shipping."

Vintage Assets offers two fee structure options, both with zero entry fees. The first is the Annual Option, which has a minimum commitment of three years, a 3% portfolio management fee applicable every 12 months and a complimentary exit strategy at the end of the three years. The other is the Brokerage Option, which has no minimum time commitment or portfolio management fee every 12 months. There are two exit strategies available — a 3% administrative fee (based on

the current cellar value of your portfolio) if you decide to exit without our brokerage assistance, or a 3% administrative fee plus 8% brokerage fee (based on the sales price of your portfolio). If you're curious, read up more at [www.vintageassets.net/passion.htm](http://www.vintageassets.net/passion.htm).

Undated photo, released on Jan 10, 2008, of bottles of Chateau Margaux 1982. Sotheby's will sell Bordeaux 1982 first-growth wines Chateau Latour, Margaux and Cheval Blanc next week, offering collectors a chance to gauge prices after demand for some clarets cooled in the second half of 2007.

