



DIVINE RETURNS

Investing in wine can be a low-risk strategy with the right knowledge. *Elite Living Africa* asks the experts how it's done.

WORDS BY ANNIE MAKOFF-CLARK

Fine wine is synonymous with the good life. Yet investing in fine wine as a luxury asset can add an additional, sweeter layer to the overall experience.

Comedian Dan Aykroyd's love of wine led to him producing his own in Canada and California, whilst American singer-songwriter Dave Matthews has his own vineyard. Composer Andrew Lloyd Webber uncorked \$4.6m from his wine collection at a 2011 Hong Kong auction and footballer David Beckham bought a Napa Valley vineyard as a birthday present for his wife Victoria in 2014. Sir Alex Ferguson too, is known for his wine appreciation.

"Christies did a series of sales for Sir Alex Ferguson in 2014/2015," says David Elswood, international head of wine at Christies. "He loves wine and got his buying strategies bang on target."

Experts agree that fine wine is a relatively safe investment for those in the know. According to Tom Gearing, managing director of wine investment specialists, Cult Wines, fine wine has a low correlation with the financial markets: the 2008 global recession left the fine wine market relatively unscathed. Even today, with increased market volatility, demand continues unabated.

"It's quite a low risk asset class with relatively low volatility," he adds. "It allows individuals to diversify away from traditional assets whilst enhancing their portfolio."

Of particular significance, however, is, what Gary Boom, managing director of BI Wines & Spirits, describes as a "basic tension" between expanding international demand and diminishing supply, which, he says, is "more acute today" than at any point in recent decades.

"The emergence of huge markets in Asia, the expansion of wealth among individuals of high net worth and the growing cultural importance of wine are some key factors driving increased consumption," he adds.

Simon Staples, sales director at Berry Bros & Rudd agrees. "Demand and interest in fine wine is growing around the world," he says. "Once bottled, it improves with age. A limited amount is produced every year and as bottles are consumed, the supply becomes smaller. As supply diminishes, demand ➤

LEFT The distinctive barrels at the Château Margaux vineyard, famed for first growth clarets. (Photography by Edsel Little/Flickr)



- generally rises as the wine matures. It's another reason why wine makes such a good investment."

Justin Gibbs, director and co-founder of Liv-ex, the global marketplace for professional buyers and sellers of fine wine, describes the supply and demand equation as a "non-cyclical phenomenon". As long as the demand remains constant, he says, it can have an "upward effect" on price.

According to Boom, there are numerous other factors why wine investment is such an attractive proposition: tax efficiency, low fee base (investors pay a small annual fee for wine storage), flexibility (wine investments can be expanded or liquidated quickly), and the fact that wine improves with age. And it's a tangible asset: a luxury product that many aspire to own, consume and enjoy. As Staples puts it: "fine wine is more useful than gold and easier to enjoy than art."

So which types of wines are the *crème de la crème*? And is there a general consensus among experts? It would certainly appear so, with wines from the French regions of Bordeaux and Burgundy recommended time and time again. According to Gearing, the Bordeaux region in particular is responsible for around 60-70 per cent of the fine wine market. Yet Bonhams say it is Burgundy which has increased in popularity, driven by its relative scarcity in comparison to its great French rival, as well as growing demand from Asia.

"The quantities of Burgundy produced each year are around one tenth of the size of Bordeaux," says a Bonhams spokesperson. "Château Lafite Rothschild might produce 20,000 to 25,000 cases a year whereas Domaine de la Romanée Conti, the most celebrated vineyard in Burgundy, produces around 500."

Even so, Bonhams has noticed a rising demand for Bordeaux during 2016: 400 cases of highly regarded first growth clarets, including Château Lafite Rothschild, Château Latour and Château Margaux sold out entirely earlier this year.

Astrid Young, wine critic and sommelier at Baacco, the marketplace for UK wine merchants, makes unequivocal recommendations: Grand Crus Bordeaux and Burgundy will "always hold their value", whilst wine from producers such as Le Pin, Lafleur and Petrus, tend to "fetch top dollar". In Italy, there are a handful of wines which deliver good return on investment, such as Recioto Amarone and Alzero Cabernet Veneto IGT. But it's the Napa Valley which Young insists "takes the cake for investment wines", including "cult wines" such as Harlan Estates or Screaming Eagle. Interestingly, Young points out that very few whites make good investments, other than top sweet wines or some Rhone whites such as Chateau Grillet.

"Stick to the blue chips" Gibbs advises. "These are the classified growths of Bordeaux, led by the five



First Growths. Chose the best vintages such as 2005, 2009 and 2010."

"Be aware of the potential risks," advises Gearing. "Wine investment is an unregulated market so investors and collectors must do due diligence."

Staples advises always buying from reputable merchants: "Many unscrupulous merchants or wine investment houses will have few qualms about selling the wrong wines or the right wines at the wrong prices."

Storing wines 'in bond' is essential, says Boom, whereby wines are kept in a secure warehouse with a paper trail, guaranteeing provenance and giving confidence to buyers. Buying *en primeur* – when the wine is first released – is also recommended, especially as it's the cheapest time to buy, although Young warns there are no guarantees: "You can't predict the weather, climate change, war, or other mitigating factors," she explains, "And sometimes purchasing *en primeur* won't get you any wine at all if there isn't enough to go around. But if it pays off, it pays off in a big way."

Young also suggests building a rapport with the wine merchant: "It's all about relationships – you may have to support lesser brands in order to get the bottles you really want. Cherry picking is a big no-no!"

Finally, Young suggests maintaining a database of peak maturity dates to know when to sell or start drinking. "All wine turns to vinegar eventually, I have valued many a collection after the untimely demise of the owner, only to find scores of wine which are long past their prime. So pull a cork now and then and share it with the people you love."❖

◆
"Fine wine is more useful than gold and easier to enjoy than art, it is a tangible asset, a luxury product many aspire to own and enjoy"
◆

ABOVE A bottle of the 1971 Château Latour. (Photography by Sophie/Flickr)