



"The Chinese mainland is undoubtedly the biggest market as we head into 2014, especially for the First Growths." A Capital Vintners client with strong connections with Asia.

2013 has been a year defined by one word; diversification. Mainland China and Hong Kong now account for over 60% of trade in the fine wine market. A population of 1.4 billion combined with a growing interest in the product has consequently led to the market turning much of its attention to the area. In the five years since the country dropped its import duty tariff, the Chinese wine market has expanded exponentially, and is now branching into more specialised areas of the market. Here at Capital Vintners we have expanded our Asian presence and now have a dedicated Data Team monitoring the latest global trends, as well as a rapidly-expanding client base in the region.

Lafite Rothschild still takes centre stage in the Asian market, but the average investor now wants more diversity. In the last half of 2013 we have seen an upsurge in demand for the 'Super Seconds' – Montrose, Leoville Las Cases, Ducru Beaucaillou – and the Second Labels of the five First Growths – Clarence Haut Brion, Petit Mouton, Forts Latour, Carruades Lafite and Pavillon Rouge.

At Capital Vintners we like to stay ahead of the curve, so we have mirrored this increase in demand for the Super Seconds, the Second Labels and Lafite. Big sellers in the last few months of 2013 include Montrose 2010, Lafite Rothschild 2007 and Petit Mouton. Petrus has also seen a comeback in the last few months, with the 2009 vintage up by 9% this year and the 2010 up by 18%.

Pavie's re-classification in 2012 has proved to be decisive in pushing up this Right Banker's growth. We have seen double-digit growth in most of Pavie's vintages this year, a fine achievement in a year in which many Bordeaux estates have found it tough going. Pavie 2009 has now seen over 40% growth in the last two years and is as popular as ever with investors and consumers alike.

Looking ahead to 2014 Capital Vintners will continue to offer its clients a wide range of fine wine investment and consumption opportunities. Champagne, Super Tuscan and Burgundies will all feature, as will some new and exciting developments in countries like USA and Australia. It is an exciting time to be part of the market!

Tony Cody, Head Of Asian Sales

EYE ON ASIA: INDIA

For the past few years the wine market has waited with baited breath for India to alter its tax system, and therefore allow wine companies to start importing stock at affordable levels. There have been glimpses of hope this year, but so far nothing has been confirmed.

It is thought that over 400 million Indians consume alcohol, a market that will undoubtedly rival China if import tariffs are altered. Wine consumption only stands at 0.1

litres per capita per year, but the number of cases drunk in the country has grown from 150,000 in 2000 to 1.5 million already this year.

There will of course be some cultural challenges to overcome for the industry. For example, Indians tend to drink before they eat, rather than pair their drinks with food. Indian food is not served in courses either – it all comes in one go. Whisky is the most popular alcoholic drink, but there have been moves from the government to try to get citizens to drink weaker alcoholic drinks, i.e. beer and wine.

EU goods currently face import tariffs of 150 per cent, but in 2016 these will fall to 90 per cent, still a high number but a step in the right direction for European wine producers nonetheless.

EYE ON ASIA: CHINA

Yet more evidence of Asian diversification this month, as it was reported that the average Chinese middle class wine consumer spends roughly £25 on a bottle of wine. What's more, the same questionnaire stated that the most popular wine is Bordeaux Cabernet Sauvignon (predominantly Left Bank traditional wines), a good sign for the trade.



With an emerging middle class consuming wines more expensive than the average UK wine consumer (average price in UK for a bottle is around £6-7), we will continue to see more and more interest from the East for European wines, spanning from table wine for consumption to cases of Lafite Rothschild for £10,000+.

97 per cent of Chinese citizens now have an awareness of French wine. Cabernet Sauvignon is the most popular grape (83%), followed by Merlot (6%) and Chardonnay (5%).

Shanghai has become the most important wine import and distribution port in mainland China, accounting for 45% of the whole imported wine to China. In October Shanghai opened up a 'free trade zone,' an area designed to make it easier for investment companies to flourish.

It has been widely reported that by 2016 China will become the number one wine consuming country in the world. Wine consumption has become much more of a regular activity, rather than just reserved for special occasions. 64% drink wine several times a week, and 17% drink wine daily.

"I have dealt with Capital Vintners for 5 years. They have bought and sold for me with reliability and security." VW, Perth

AUCTIONS

At the famous Hospices de Beaune auction in Burgundy in November, the highest sales total since 2000 was achieved, a sure-fire sign that Burgundy is a popular region right now for investors. Most symbolically a Chinese businesswoman took the most expensive lot (a barrel of Meursault-Genévrieres for £110,000), the first time a Chinese investor has taken the top lot. The businesswoman, Yan Hong-Cao, said "Bordeaux and Burgundy are always welcome in China." The total auction's sales reached £5.3 million.

Three poor years in a row in Burgundy due to poor weather conditions has pushed up prices for previous vintages, as demand has outstripped supply.

Domaine de la Romanee-Conti continues to be the world's most sought-after wine, with news this week coming through that a case of 1978 DRC Romanee-Conti sold in Hong Kong at Christie's for £292,000. Six of the top ten lots were Romanee-Conti, further emphasising the vineyard's incredible grip over the auction market.

A BRIEF WORD FROM A MASTER OF WINE



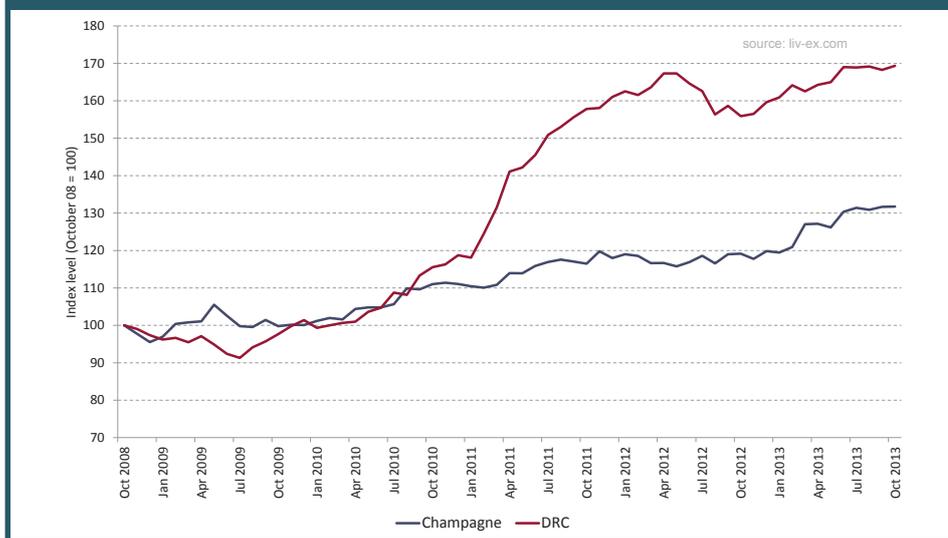
Jennifer Simonetti-Brown MW, a wine expert and leading media spokeswoman for the industry, spoke to Capital Vintners recently about the state of the US wine market:

"US wine consumption has steadily risen every year for the last two decades despite economic hard times. This makes the US a (if not THE) top wine consumption powerhouse and for years to come, as the US market still has more room to grow. This year we have seen investment interest in US wine, but it's the diversity of investors that makes 2013 more interesting- VCs (Venture Capitalists), related industries as well as foreign investors. Reports have also stated keen interest by Chinese investors. Wine is hot amongst Chinese investors right now and people who own a winery are admired. Favorable US trends are definitely expected to continue in 2014 and likely to see a stronger link between wine and technology". Jennifer Simonetti-Bryan, Master of Wine and Author of The One Minute Wine Master.

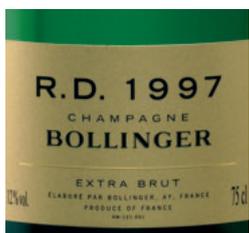
Robert Parker will be stepping down next year as Editor of the Wine Advocate. He will be replaced by Lisa Perrotti-Brown, who is currently based in the Singapore Wine Advocate office.



LIV-EX INDICES DRC AND CHAMPAGNE 2013



CRISTAL 2006 AND BOLLINGER R.D. 1997



Champagne is the dark horse of the fine wine market right now, having performed consecutive double-digit growth in the last 3 years whilst remaining under

the radar. We have been able to offer clients two superb Champagnes to add to their portfolios this year: Cristal 2006 and Bollinger RD 1997.

Cristal 2006 has just been awarded 97pts by Richard Juhlin, the leading Champagne critic. The 2002 vintage scored 96pts and has seen a 6% rise in value this year. The 2004 vintage also scored 97pts and has seen a 25% rise in value this year. Bollinger RD (Recently Disgorged) 1997 is an incredibly rare Champagne that has seen 20% growth this year, a tremendous figure. In the words of Antonio Galloni, "The 1997 R.D. is undoubtedly a gorgeous Champagne."

"We were very pleased with the service, which we received from Capital Vintners during the sale process. We now look forward to you handling the sale of more of our wine portfolio. We trust that you will then repeat the high level of service we experienced on our recent transaction. Thank you again for your efficient and professional assistance in this matter." *PB, Hampshire*

CHAPELLE MISSION 2008 – 104% in last 5yrs, good steady growth.

CAPITAL VINTNERS AND EHD LOCKE- KING VAULTS

Due to the number of clients we have brought on in 2013, Capital Vintners is now one of the largest companies storing wine at EHD London No.1 Bond Ltd. We have our very own section of tunnels in the facility, with over £15 million worth of stock being stored in optimum conditions.

Capital Vintners has now been using Locke-King Vaults for over a year, and the partnership has never been stronger.

James Temple, Locke-King Vaults Cellar Manager: "Fine Wine storage is so vital to both the investor and collector and we are happy to assist Capital Vintners and their individual clients, in maintaining a thorough control of both ownership and storage conditions for the wines and each investor. We have seen a dramatic growth in the stock holding and individual client list for Capital Vintners within the past year which shows confidence in the investment market and logistical provision that we provide."

Fine wine does not travel well, so the more stationary your wine is, the more valuable it is to the end buyer. Moving wine to multiple warehouses increases the likelihood for problems (broken bottles, damaged cases, disturbed wine etc) to arise, so we are happy to announce that our partnership with Locke-King will be a long and prosperous one. Our aim is to keep your stock there until somebody wishes to drink it!

MONTROSE 2010:

One of our top sellers in the last few months has been Montrose 2010. The "Super Second" St-Estephe-based estate has seen positive growth from many of its vintages. With a Parker score of

99, the 2010 vintage will undoubtedly be a great investment acquisition. The vintage was recently described by Jean Delmas (former director of Haut-Brion) as "one of the all-time great wines of Montrose, comparable to the 2009, 1990, 1989, 1959, 1947, 1945 and 1929." The 2009 has seen growth of 59% in the last 2 years, and the 1990 has seen 70% in the last 5 years and now trades for prices just shy of £5,000. Most significantly perhaps is Parker's quote - "I was leaning towards giving it a three-digit score, which it may ultimately merit." Exciting words from the world's most highly regarded wine critic.

LAFITE ROTHSCHILD 1990

Occasionally at Capital Vintners we get our hands on an absolute gem. When we secured an allocation of Lafite Rothschild 1990 we knew we had something special; a legendary First Growth with a great Parker score and a limited supply. Let's break down the stats on this momentous wine:

- 96 Parker points
- 7% growth in 2013
- 58% growth in last 5 years
- 1,475% growth since 1991
- Parker gives this wine a drinking window of 2014-2044
- Strong potential to follow in the footsteps of the Lafite 1982 (currently 97pts, only 1 higher than the 1990 vintage), which has consistently sold at auction for £40,000+.



"Excellent service especially when I wanted to sell my wine" *SS, Leicester*

"Value, trust, and peace of mind are treasured in business today. When I write down this sentence the name Tony Cody is crossing my mind. He is so diligent, so patient and considerate. He always lets me feel that doing business with Capital Vintners is so appealing! With grateful thoughts of our past business, I extend our sincerest thanks to Tony Cody, sincere best wishes to Capital Vintners for continued success now and into the future." *F.X, Hong Kong*