

Capital Vintners Newsletter
Edition 1, February 2012

Welcome to the first edition of the Capital Vintners' newsletter. In future, we will be distributing this newsletter to our clients on a quarterly basis. We hope that it will keep you informed of news and events from the fine wine market, in addition to notifying you of any changes occurring at the brokerage.

Let me start by wishing all of our valued customers and prospective clients a happy, healthy and prosperous (although rather belated!) New Year, from the whole team here at Capital Vintners. A new year is always a time of renewal and change, as we leave the old behind and usher in a new chapter. The same goes for us here at the brokerage, where we are busier than ever, and keenly looking forward to a favourable year ahead.

Of course, our big news for 2012 is the ongoing process of moving all of our clients' wines to our new storage facility, Locke King. We hope to have completed this lengthy process by May of this year. It goes without saying that this new facility will provide all the conditions and security our customers previously enjoyed at Octavian but will offer many additional benefits. The Locke King team is probably one of the most experienced in Europe when it comes to handling fine wine and we are excited about entering into this new venture with them.

In other news, our accounts department has recently moved from the Liverpool St. address to a new office in London Bridge and all future correspondence from clients should now be sent there. Our previous Liverpool St. address has been closed to all businesses, as a result of the new Crossrail Link. Our new accounts and administration address is 6A, Swan Court, Tanner Street, London, SE1 3LE. Client meetings will continue to be held at our head office at Cornhill.

We have recently made some changes to our terms and conditions, in a bid to make them clearer and easier for clients to understand. These are available online at the Capital Vintners website at **www.capitalvintners.com** Visitors to our website will notice that we are currently in the process of modifying and updating it. Within the coming few weeks, it will contain a wealth of new information and news about the wine market. This is just one part of our constant drive to keep our clients informed and to make this market as accessible and transparent as possible.

We hope you enjoy reading our newsletter and- as ever- if you have any questions or queries, please do not hesitate to contact one of our team of professional and experienced brokers, who will be happy to help.

Yours sincerely,

Christopher Burr
Managing Director,
Capital Vintners Limited

Cos d'Estournel- India's Lafite Rothschild?

As part of a move towards establishing a Free Trade Agreement with the EU, the Indian government is currently in discussions to lower the country's import duty on wine and spirits. Following a series of scheduled talks this month, it is expected that India will announce a cut of 73% in import duty- from a massive 150% to a far more palatable 40%. This is significant news in a country where wine imports have doubled in the last year alone.

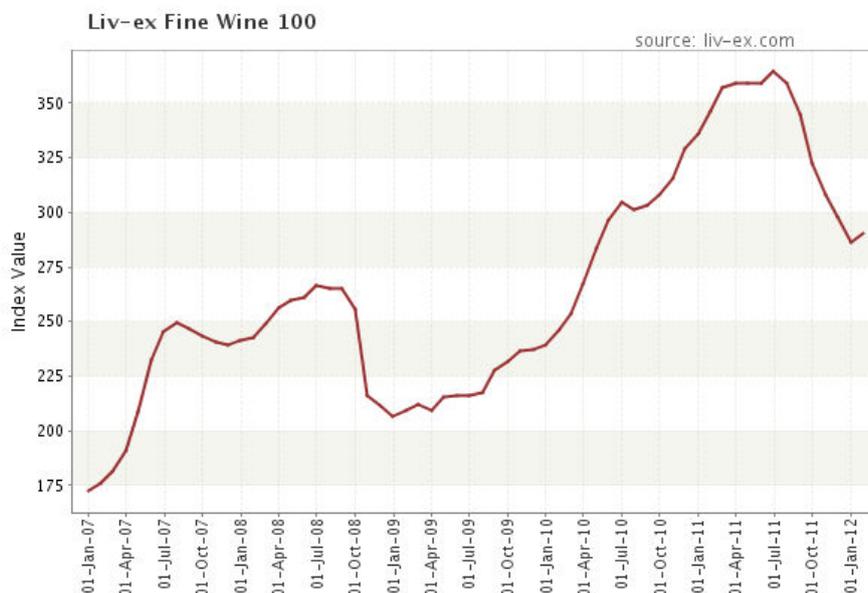
This decision by the Indian government echoes that taken by Hong Kong in 2008 and is predicted to have a similar impact on the domestic market. It will allow the booming middle class of the world's largest democracy unprecedented access to the fine wine market and, here at Capital Vintners, we anticipate that this will create some fantastic opportunities for astute investors. Just as Lafite Rothschild became the must-have wine for Chinese investors in recent years, we predict that there is one particular wine that is set to do incredibly well in India and that is the Chateaux Cos d'Estournel.

Our contacts in India have reported massive press interest in Cos d'Estournel; a second growth Bordeaux with a strong historical connection to the Indian sub-continent. During the early 19th century, as the Indian gentry began discovering a taste for French wine, as much as 90% of Cos d'Estournel was being exported to India. So much so, in fact, that the owner, Louis Gaspard d'Estournel, earned the nickname 'the Maharaja of St Estephe' among the Indian elite. As a result, he even went so far as to decorate the Château in the exotioc style of a 'Zanzibar Palace', with ornate stone carvings and pagoda roofs. To this day, Cos d'Estournel labels still bear the logo of an Indian elephant. So well established is the Indian connection with Cos d'Estournel that when the Indian President and his wife were invited to dine with the Her Majesty the Queen- for the first time in 20 years- the wine served was a 1988 Cos d'Estournel.



Recently, there have been numerous vertical tastings by the Château in India. We predict that following next month's announcement by the government, Cos d'Estournel will become the wine of choice for the Indian market. We believe that investing in back-dated vintages of Cos d'Estournel will prove an extremely lucrative move.

Where next for the fine wine market?



This graph from Liv-ex clearly shows that the fine wine market is on the road to recovery, following a dip in 2011. Recent data from January shows that the market is on the way up and we at Capital Vintners are confident in predicting a great 2012. As investors should know, it looks like bullish times ahead.

Update on the Chinese market

At the end of November 2011, the internationally renowned wine critic Robert Parker headlined the first ever annual 'Wine Future Hong Kong Fair'- an event which he declared to be the "the greatest tasting of young wine ever to take place in Hong Kong." There he presented what he had labelled his 'magical 20'; a selection of Bordeaux 2009. He enthusiastically endorsed these wines as being "the greatest wines from the greatest region on earth." A clear favourite of Parker and his team of tasters was Cos d'Estournel, which he described simply as 'stunning'.

The event has widely been heralded as a catalyst to stimulate the already buoyant Chinese fine wine market. In the past it has been difficult for Chinese investors to sell their wine but the recent establishment of both the Hong Kong Wine Exchange and the Shanghai International Wine Exchange has now allowed Chinese collectors to buy and sell globally through a network of wine storage partners.

So confident is China in the potential of this market that Chinese banks are now offering "Wine Financing Services"- loans of up to HK\$5m to be spent on wine, providing investors purchase from its list of 50 top names. Many affluent Chinese investors rightly worried about rising inflation, the risky stock market, and meagre returns from savings accounts, are currently seeking alternative havens for their capital. Wine- long a symbol of luxury and high-living- is a popular choice.



The end of January marked the Chinese New Year and we have now entered the Year of the Dragon. This is traditionally seen as the most auspicious year in Chinese calendar and the symbol of the dragon is associated with power and prosperity. This leads us at Capital Vintners to predict a fantastic year ahead for the Chinese wine market.

Burgeoning Burgundy

While Bordeaux has traditionally been the wine of choice for serious investors, we have recently picked up on a growing trend towards investors purchasing top-class Burgundy, and we predict that this is set to continue over the coming year. In January a series of Burgundy 2010 tastings were held in London and our contacts who attended reported glowing praise for the vintage. Allen Meadows, Burgundy expert, claimed that the vintage may even have surpassed that of 2009.

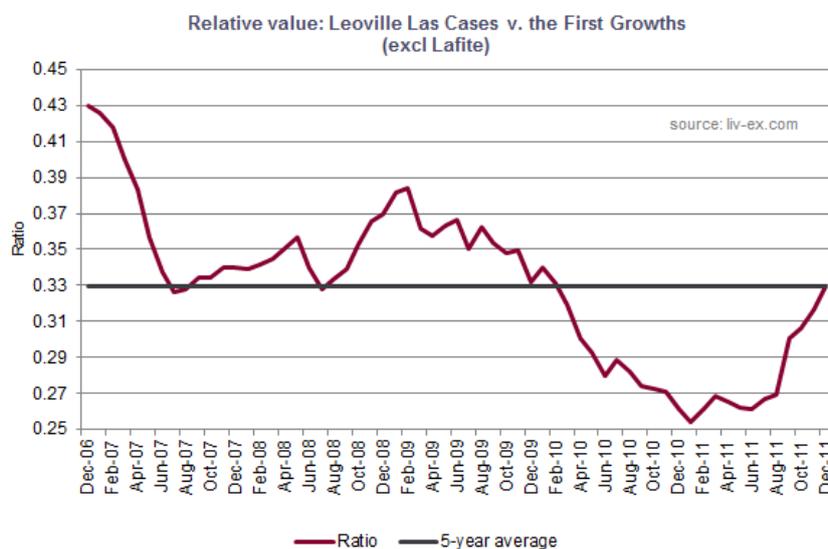
Recent market results show that wines from the Burgundy region accounted for 7% of overall wine sales in the month of January and this is a figure that is surely set to rise. At a recent auction in Hong Kong, a vertical of Romanee Conti- the premier wine of Burgundy- spanning vintages from 1952 to 2007 sold for a record-breaking £519,020. This month the record for the most expensive Liv-ex traded bottle of wine was broken by a 1990 Romanee Conti, which sold at a staggering £11,700.

One of the things that makes Burgundy such a good investment is that the supply of wine is so limited; many châteaux only produce 3-500 cases a year. This ensures that supply is always outstripped by demand. At Capital Vintners, we are always keen to capitalise on a new trend in the market and to pass on this opportunity to our clients. We have used our contacts in France to source some fantastic Burgundy, which we are sure will make an incredible addition to any wine collection.

Château Léoville-Las Cases

Château Léoville-Las Cases is a second growth Bordeaux situated in the Medoc region of Bordeaux and is renowned for its use of modern innovative technology to support traditional wine-making techniques. An example of this is the pioneering 'reverse-osmosis' technology used to extract excess water from the hand-picked grapes. It is a wine of fantastic heritage; the main vineyard borders that of Latour and the entire estate is one of the largest wineries in the whole of Bordeaux.

Despite its classification as a second growth, Léoville-Las Cases is still rightly one of the most prestigious wine-makers in Bordeaux and there are many who believe that it deserves to be re-classified as a first growth. It has, for example, produced three 100 point wines in the last three decades alone. Figures show that Las Cases has been outperforming first growths and recent vintages increased in value by 14% last year alone.



We believe that Leoville Las Cases allows for the canny collector to purchase a first growth quality wine at a second growth price. Château Léoville-Las Cases offers incredibly good value for money and we predict that 2012 will be a great year for the wine.

Final thought....

We hope that this newsletter has given you a useful insight into some of the recent wines we have been trading and also provided some universal market news coverage. As your trusted wine brokers, we are always working to pre-empt market trends to get the best results for our clients. We are convinced that 'Super Seconds' will prove to be the next best thing right now, alongside the Burgundy DRC wines. However, there are limited stocks of the two wines featured above and they are moving fast. This year, we strongly recommend picking up back-dated vintages of Cos d'Estournel, Leoville Las Cases, Poyferre, Barton, Pichon's, and Montrose, as a must for any wise wine investor.

Additionally, the Second labels of the First Growths will be big hitters this April, upon bottling of the 2009 Vintage. Ones to look out for will be Carruades de Lafite from the infamous Lafite Rothschild estate, Le Petit Mouton from Mouton Rothschild, Pavillon Rouge of Margaux, Les Forts De Latour of Chateaux Latour and last, but not least, Le Clarence de Haut Brion from the American-owned Chateau Haut Brion. Watch this space....