



**Capital Vintners Newsletter**  
**Edition 3, September 2012**

**Welcome to the third (and slightly belated!) edition of our quarterly newsletter, in which we enlighten our clients with important news from the fine wine market and update them on recent ongoing activity at the brokerage. I hope all our customers have enjoyed a wonderful summer; whether it was spent cheering on our sporting heroes or you escaped the Olympics altogether and jetted off for a well-earned break, 2012 was certainly a summer to remember.**

Here at Capital Vintners, we have not been idle over the summer months. We have recently commissioned the development of a new website, which should be up and running very shortly. One of the great benefits of our new site is the interactive Liv-ex ticker, which enables clients to view available stock from the London International Wine Exchange in real time. This feature will provide clients with an insight in to which wines are currently rising in value and will be an invaluable tool for those wishing to keep abreast of movement in the marketplace.

I am thrilled to be able to inform you that we have finally completed the stock move to Locke King. The process has taken slightly longer than expected, due to the complicated logistics of transporting such a large amount of valuable wine, but we are over the final hurdle. Inga Surina, head of accounts and logistics at Capital Vintners, has worked tirelessly to ensure that the transportation went off without any hitches.

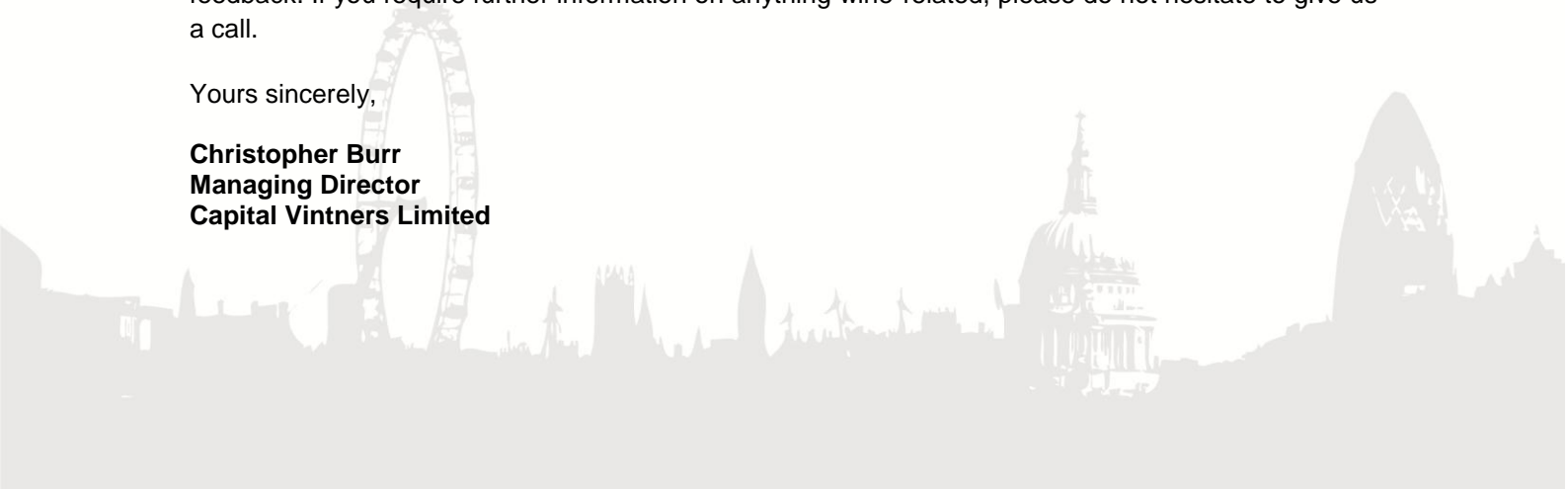
As stated in our updated T&Cs, which have been available on our website since the beginning of the year, we will now be asking clients to pay for their own storage. The one-off yearly payment of only £15 per case (plus VAT) will be due at the beginning of January. The move to Locke King means our clients will be making a significant saving, compared to previous and other well-known storage facilities. It also brings with it the considerable advantage of allowing our clients to store their wine collection in a personal named account and to view their stock online, via the EHD website or through a link on the Capital Vintners page. Brand new customers will still receive a free year's worth of storage on their first case of wine purchased with us.

In other news, our team of brokers has expanded! We have recently recruited some new blood into the sales team, as part of our drive to expand our organisation and continue to meet the needs of our ever-increasing customer base.

I hope you enjoy this edition of our newsletter and, as ever, we are always delighted to receive your feedback. If you require further information on anything wine-related, please do not hesitate to give us a call.

Yours sincerely,

**Christopher Burr**  
**Managing Director**  
**Capital Vintners Limited**



## Competition Winner

Many thanks to all of our satisfied customers who entered the competition for a chance to win a free case of wine by sending a completed feedback form into us. Congratulations are due to our lucky winner- Janet Church from Durham- who is the proud recipient of a case of Cos d'Estournel 2003, which was delivered to her house, duty paid, in July. Some of you may be aware that Cos d'Estournel 2003 was awarded a perfect 100 point Robert Parker score. Very well done Janet, we hope you enjoy it!



## Market overview

Those of you keeping an eye on the market may have noticed that, over the course of the last 12 months, prices of fine wine have steadily been falling. Prices have already seen a 26% drop from their inflated peak in July 2011. This price decrease mimics that which took place in 2008, during the height of the financial crisis. Commentators have attributed this to continuing uncertainty in the Eurozone and the depreciation in the value of the Euro, but also ongoing cautiousness on the part of investors. We think this is great news for collectors and we are not the only ones to hold this view. Forbes Magazine recently reported that John Kapon, CEO of Acker Merrall, the largest wine auctioneer in the world has stated:

*“Now could not be a better time to venture into the wine market. Today, some of the biggest investment opportunities are in Bordeaux... As any smart investor knows, you buy at the bottom of the market.”*

Recently we came across a very interesting bit of research carried out by Barclays, entitled ‘Wealth Insights- Profit or Pleasure?’ The study claims that the wealthiest wine collectors are driven by a love of wine, rather than a desire to see big returns on their investments. Many of the respondents stated that they intend to keep hold of their wine forever and to pass on their portfolios to relatives upon their deaths. Given that the fine wine market is driven predominantly by the simple principle of supply and demand, large stocks of wine being kept out of the marketplace by private collectors will surely drive up demand for noteworthy bottles and is good news for our customers. As ever with the wine market, patience is a virtue.

## 2012 Vintage

As you may well be aware, 2012 has not been the easiest of years for French wine production. Warm, overcast and rainy days at the beginning of the year provided the perfect conditions for mildew and disease to spread through the vines. As a result, vineyard managers have had to be more vigilant than ever in tending to the flourishing crop. A further result of this inconsistent climate is that the vines flowered slightly later than expected this year and we are told by our contacts in France that some vineyards across the country have reported patchy fruit production, which is worrying for growers when it comes to harvesting the grapes.

The good news is that Bordeaux has ridden out the bad weather far better than many other wine producing regions- Champagne, for example, is expected to report a 40% decrease in production this year, compared to its last five vintages. Here at Capital Vintners, we believe that the downturn in production in this year's vintage will have a stabilising impact on the fine wine market. We should see more sensible prices from the 2012 harvest than we have done in previous years.

## Chateau Lafite 2003

Our buying team has recently negotiated a small amount of Chateau Lafite 2003. It was a fantastic year for the chateau; near perfect weather conditions produced a classic Lafite vintage, built to last, which received a perfect 100 Parker points. Many critics made favourable comparisons to the famous 1959 vintage, branding 'new Lafite '59' and Parker was so taken with the wine that he claimed it was a wine worth re-mortgaging your house for!

Production in 2003 was less than half of the normal amount, meaning that demand for this wine is guaranteed to outstrip supply. We recommend adding cases to your portfolio while you still can.

## Latour en primeur

Chateau Latour has made the bold decision to avoid selling wine en primeur ('in the barrel'). It is the first large, respected Bordeaux chateau to do this. In a statement earlier this year, Latour director Frederic Engerer, declared that the 2011 vintage would be their last en primeur campaign. From the 2012 vintage onwards, Latour will only be sold once it has been bottled.

The news has elicited mixed responses from the wine world. One hypothesis is that this shows that the chateau is keen to focus on its growing Asian business interests. While en primeur is popular with European and American investors, the concept has never taken off in China. It could also be attributed to the increasing desire of consumers to purchase ready-to-drink wine. En primeur has always been a good way for the canny investor to purchase wine at a cheaper price than when it hits the open market, but this is a riskier strategy than purchasing already-bottled wine.

It remains to be seen as to whether other Bordeaux chateaux will follow suit.

## St. Emilion reclassification

The complex classification structure of Saint Emilion, the oldest official winemaking area in the Bordeaux region, has recently undergone significant changes.

Most notably, two Chateaux- Chateau Pavie and Chateau Angelus- have been reclassified and given the status of 'Premier Grande Cru Classe A'. This means that they now sit alongside Chateau Cheval Blanc and Chateau Ausone as being classed as some of the finest wine producers in Bordeaux and throughout the world.

This move is testament to the dedication and hard work of both chateaux and the consistent quality of production over recent vintages. But while Pavie and Angelus are now placed at the top of the St. Emilion appellation, experts are not predicting that their pricing will be inflated to anywhere near the same as Cheval or Ausone. Capital Vintners believes that picking up cases of these fantastic wines now, before the inevitable rise in price and publicity which is sure to follow this announcement, makes extremely good investment sense.



## Update on the BRIC economies

While the Brazilian government may have displayed some reticence in opening the country up to foreign wine imports, sales of fine wine in Russia, India and China continue to soar. Experts predict that within the next three to five years, China will become the largest importer of wine in the world.

Likewise, India's booming middle class continues to grow and, with it, the country's appetite for European fine wine.



After 19 years of fraught negotiations, Russia has finally entered the World Trade Organisation (WTO). The implications of this decision are yet to be discerned but economic experts expect the country to announce its intention to lower the import duty on foreign wine, thus making it easier for Russian collectors to purchase it and bring it into the country. You will recall a similar story regarding India, which we informed you about in our first newsletter at the beginning of the year.

In terms of global wine sales, Russia has lagged behind the Eastern tiger economies but now ranks in the top ten countries in the world. Any reduction in import taxes on fine wine is great news for the marketplace.

### **Final thoughts...**

With ongoing political and economic uncertainty in Europe, the British economy stalling and the housing market limping along, we know that many of our clients are more concerned than ever to secure their finances. While stocks, shares and other assets fall victim to the peril of being intrinsically linked to the wider economy, many wine collectors are driven by a love of the final product. As Barclays' recent research shows, there are people who are always going to enjoy fine wine, which means that supply will never keep up with demand. Irrespective of market conditions, some fine wine will always rise in value. Now, more than ever, investors should be looking to diversify their portfolios and add new cases to their collections, while prices are low.

One big recommendation for our customers is to pick up cases of the recent re-classified Chateau Pavie and Chateau Angelus. The prices of these wines are sure to rise in the coming months and the shrewd collector would do well to purchase now. Likewise, Chateau Petrus has bucked the downturn in market pricing and has consistently risen in value. As ever, our team of highly-trained specialist brokers are always on hand to advise you on the best time to buy and sell your wine and to answer any other queries you may have.

Just as we predicted at the beginning of the year, more and more wine producers are looking to the BRIC economies to market their products. The recent announcement from Chateau Latour regarding the decision to stop selling en primeur wine is testament to just how important a role Asian collectors now play in the fine wine market. The news that Russia has finally entered into the WTO and will be working towards revising their import tariff on fine wine is similarly positive for the future of the fine wine market in the emerging BRIC nations.

With further news coming through that the Bordeaux harvest this year is lighter than usual, fine wine from this region will be scarce in the coming months. This will drive up prices as we enter 2013. With prices currently at low levels, now is the time to invest in the Bordeaux classics.

\*We care about our impact on the environment. In order to reduce the amount of paper we use, we have been gathering email addresses from all of our clients. If you would like to receive our newsletter via email, please provide us with a valid email address. We promise that we will never share your confidential information with anyone else.

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