

VINOVEST QUARTERLY REPORT

October - December 2021



Wine Investing for Everyone

Our mission is to make wine investing friendly and approachable to everyone through world-class technology and wine experts. It's time to have your profits and drink them too.



3.96%

The return on investment of the Vinovest 100 in Q4

8.04%

The return on investment of the Vinovest 100 in 2021,
a respectable encore to its 12.9% return in 2020

7.78%

The return on investment for Champagne in Q4, making it the
top-performing wine region of the quarter and the year (21.58%)

19.3%

The average return on investment for wines in
Vinovest portfolios

11

The U.S. inflation rate went up 11 out of 12 months in
2021. After hitting 1.4% in January, it climbed to 7% by
December, an ominous sign for anyone without
inflation-resistant assets in their portfolios.

1

The number of mobile apps that Vinovest launched in
the [App Store](#) and [Google Play](#)

28

The number of countries with at least one Vinovestor

~500%

The growth in assets under management for Vinovest in 2021

2021 - A Year in Review

Phew, we made it through 2021. But before we say goodbye, let's take one last look at some of the biggest events from the past year.

Vinovest expands operations to Asia. Jan 4	A record number of unique wines were traded in March, eclipsing the previous record from November 2020. March 31	The U.S. deports notorious wine scammer Rudy Kurniawan to Indonesia. April 15	Inflation hit 5% for the first time since 1991. End of May	The Liv-ex 1000 hits an all-time high, the first of many record-breaking peaks. Jun 8	Châteaux Cheval Blanc and Ausone withdraw from Saint-Émilion classification. Mid July	Vinovest launches its Plus tier. Sep 1	Vinovest launches its mobile app for iOS and Android. Nov 11	Gold finishes the year down 3.82%. Dec 31	Champagne finishes as the top-performing wine region with a 21.58% return on investment. Dec 31
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Jan | Mar | Apr | May | Jun | Jul | Sep | Oct | Nov | Dec

U.S. waives tariffs on major wine producers such as France, Italy, and Germany. March	Vinovest begins accepting cryptocurrencies, including Bitcoin, Ethereum, and Dogecoin. April	Devastating frosts wipe out half the Champagne crop. Early May	Vinovest launches Bordeaux 2020 En Primeur campaign and secures more than \$2.5 million in client investments. End of May	Fine wine leapfrogs Hermès handbags as the best performing alternative asset. Jun 31	Catastrophic flooding in the Ahr Valley causes €400 million worth of damage to the German wine industry. Late July	Vinovest "releases" its Pumpkin Spice Chardonnay . Oct 30	Vinovest hosts 2nd Annual Champagne Tasting and Market Update. Dec 1	The U.S. inflation rate hits 7%. Dec 31
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Vinovest Performance in Q4

The Vinovest 100 Index

is our proprietary index that tracks various fine wine markets around the world.

The quarter and the year belonged to Champagne. It displayed Jordan-esque dominance, notching 7.78% and 21.58% returns for each period, respectively. The 7.78% quarterly return ranked as the third-best quarter of any region in 2021, trailing only Champagne and Piedmont from Q2.

For many people, the question is: why Champagne? The better question is: why not? Champagne had a constellation of factors that aligned just right to generate these remarkable returns.

First, devastating frost swept through France in the spring. The freezing temperatures caused crop yields to drop 20% to 80% in some areas. With a smaller-than-usual amount of Champagne in circulation, the supply lagged behind consumption.

Second, the demand for Champagne has risen as steadily as its returns.

According to Jean-Marie Barillère, the president of Union des Maisons de Champagne, the region produced 320 million bottles in 2021. That was the second-highest output this century!

While Champagne shone the brightest in Q4, other wine regions closed the year on impressive highs. In fact, every major region on the Vinovest 100 had a positive return. That includes:

Champagne	▲ 7.78%
Burgundy	▲ 6.01%
Tuscany	▲ 4.09%
California	▲ 3.55%
Bordeaux	▲ 3.17%
The Rhône	▲ 2.17%
Piedmont	▲ 1.24%
Rest of the World	▲ 0.92%

Of course, the performance of the Vinovest 100 doesn't tell us much about how our investors did.

That's because the Vinovest 100 offers a broad measurement of the fine wine market's health. For a better idea of how your portfolio performed, let's look at our investor's returns.

ACCOUNT SIZE	MEDIAN RETURN ON INVESTMENT
\$1,000 to \$4,999	9.19%
\$5,000 to \$9,999	15.36%
\$10,000 to \$24,999	17.01%
\$25,000 +	17.83%

Returns are from 9/30/2020 to 2/6/2022

Here's the cool part. The median investor outperforms the Vinovest 100 time and again. Our proprietary index notched an 8.04% return over the past year, with most people in the Starter tier easily surpassing that mark. Meanwhile, approximately a majority our investors in the Premium and Grand Cru tier doubled the returns of the Vinovest 100.

Put another way; our investors are a lot like winepresses. Why? Because they are, ahem, crushing it.



Vinovest News in Q4

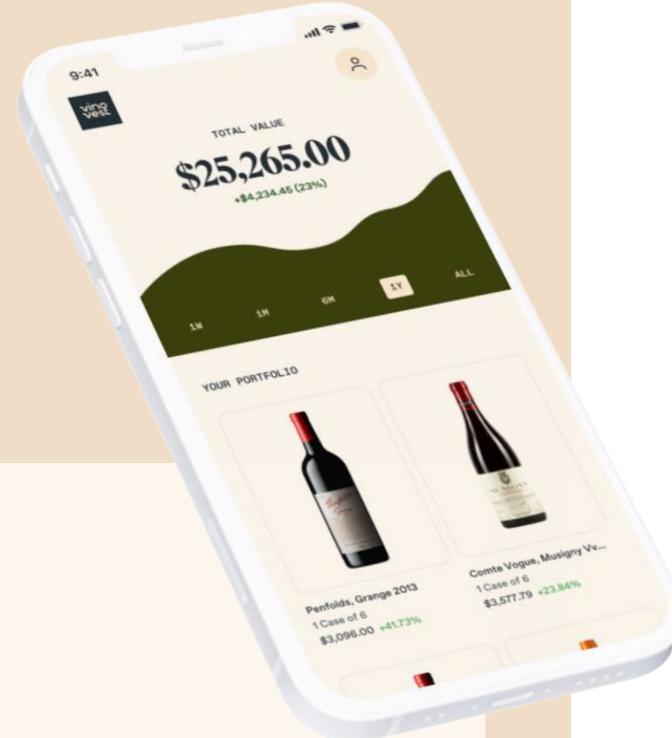
Going Mobile



Pradosan, 01/21/2022

Fluid and beautiful app!

Finally able to manage my wine investments through my phone with app! This app is incredibly smooth and is beautifully designed



Get it On
Google Play

Download on the
App Store

Our mission at Vinovest is to democratize wine investing. What better way to take the next step in democratization than with a mobile app? In November, we launched the Vinovest mobile app for iOS and Android.

It turns out investors were more than enthusiastic about mobile wine investing. The app holds an aggregate rating of 4.3 stars out of 5 across the App Store and Google Play.

Champagne Special

On December 1, nearly 100 people attended Vinovest's 2nd Champagne Tasting & Market Update. Investors got a first-hand look at the latest releases and investing trends, all while enjoying a glass of bubbly.

Vinovest wine advisor DLynn Proctor also led a wine tasting of blue-chip Champagnes, including 2008 Cristal, 2008 Dom Pérignon, and 2012 Bollinger La Grande Année.

Want to be a part of our next wine tasting? Join the Vinovest community to learn about events before they happen.

JOIN NOW



Top Performing Wines



AND THE WINNER IS....

2016 Domaine Arnoux-Lachaux Les Chaumes.

The award-winning pinot noir finished the year with a flurry, making it the top-performing wine of Q4 and 2021. The price surge came at the intersection of rising demand and falling supply. According to Wine-Searcher.com, the search rank for 2016 Domaine Arnoux-Lachaux Les Chaume jumped from 1,322 to 457 this year. Meanwhile, the number of available bottles fell more than 50%.

Of course, 2016 Domaine Arnoux-Lachaux Les Chaumes wasn't the only wine with an exceptional return. Eight other wines from four different regions (Burgundy, Chile, Champagne, and Piedmont) eclipsed the 200% barrier.



1

2016 Domaine Arnoux-Lachaux Les Chaumes

294.67%



2

2005 Taittinger Comtes de Champagne Rosé

257.22%



3

2019 Rothschild & Concha Y Toro Almaviva

232.85%



4

1990 Dom Pérignon P3

232.41%



5

2017 Domaine de la Grange des Peres, Pays d'Hérault Rouge

218.32%



6

2011 Maison Leroy Gevrey-Chambertin

217.72%



7

2014 Comm. G.B. Burlotto Barolo Cannubi

216.62%



8

2015 Comm. G.B. Burlotto Barolo Cannubi

207.9%



9

2012 Veuve Clicquot La Grande Dame x Yayoi Kusama

203.47%



10

2008 Poggio di Sotto Brunello di Montalcino

184.26%

The 4 Biggest Stories from 2021

#1 - We Don't Need No Stinkin' Classifications

The wine industry got a shake-up in July. Châteaux Cheval-Blanc and Ausone opted out of the 2022 Saint-Émilion classification. It was the equivalent of LeBron James leaving Cleveland for Miami or Hulk Hogan defecting to NWO.

Châteaux Cheval-Blanc and Ausone were a part of the Premier Grand Cru Classé A tier. It's the most prestigious ranking in Bordeaux. Only four estates have earned this classification. Opting out of it was unheard of.



The million-dollar question was why? The châteaux argued that the Saint-Émilion classification strayed too far from its original intent and no longer represents the best of the best Bordeaux. For instance, the system uses a weighted formula to evaluate wineries. The actual wine only accounts for 30% of that score.

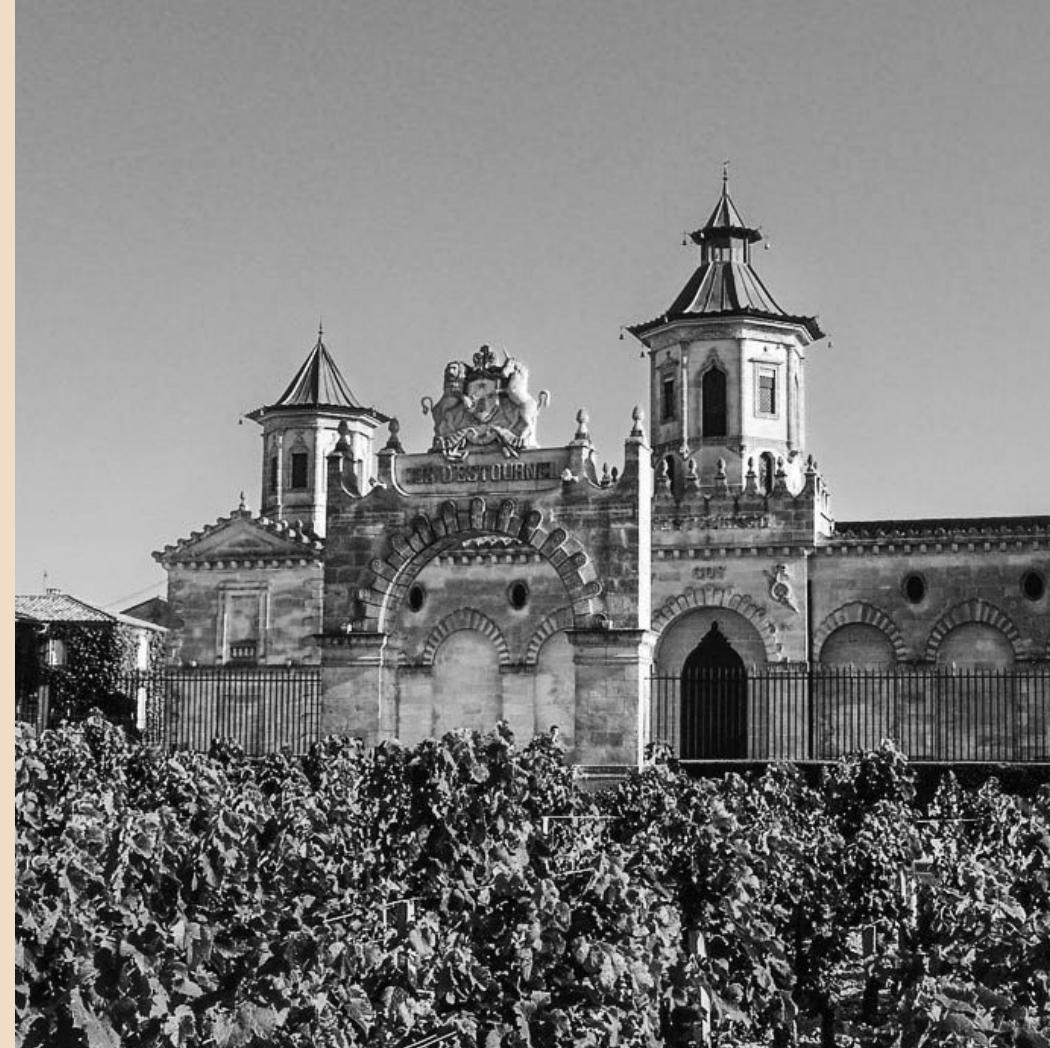
To make things more interesting, Château Angélus left the classification in January 2021. That leaves Château Pavie as the only Premier Grand Cru Classé A estate. In a significantly weakened system, we can only imagine Pavie's reactions to be something like the picture on the left...

#2 - Oh Crop

It's no secret that 2021 was a funky year, and that's putting it mildly. That funkiness extended to the wine industry and, in particular, the harvest season. Here's how harvests went for [major wine regions](#) and what it means moving forward.

Burgundy - The Big Freeze

There's no way to sugarcoat it. The 2021 Burgundy harvest was brutal. An unseasonably warm April was followed by freezing temperatures that decimated vineyards. Producers had to grapple with what experts deemed the smallest Burgundy vintage ever, [down 30%](#) from last year. Despite the significant setback, many winemakers said the quality of the vintage remained high.



Le Cos d'Estournel

Bordeaux – Silent Night

Bordeaux is usually full of buzz during harvest. Not in 2021. Négociants and producers remained mum due to the challenging vintage. Investors can expect heterogeneous wines, as some châteaux fared better than others due to inclement weather.



Estate in Calistoga

California – Promising Young Vintage

While the Pacific Northwest endured a rare summer heatwave, California was spared from the drama. The dry, warm growing season produced small fruit with high acidity and dense flavor profiles. The modest rain and hospitable conditions should bode well for the wine's long-term quality and be on par with the 2007 vintage



Piedmont

Italy – Small, But Mighty

Here's the bad news. Piedmont and Tuscany produced less wine than usual in 2021, with yields dropping 10% to 20% for many producers. Here's the good news. The fruit was some of the best in recent memory. Vines that weathered the heat produced lush grapes with intense coloration, optimal acidity, and punchy aromas, similar to the 2001 vintage.

#3 - Fine Wine > Gold

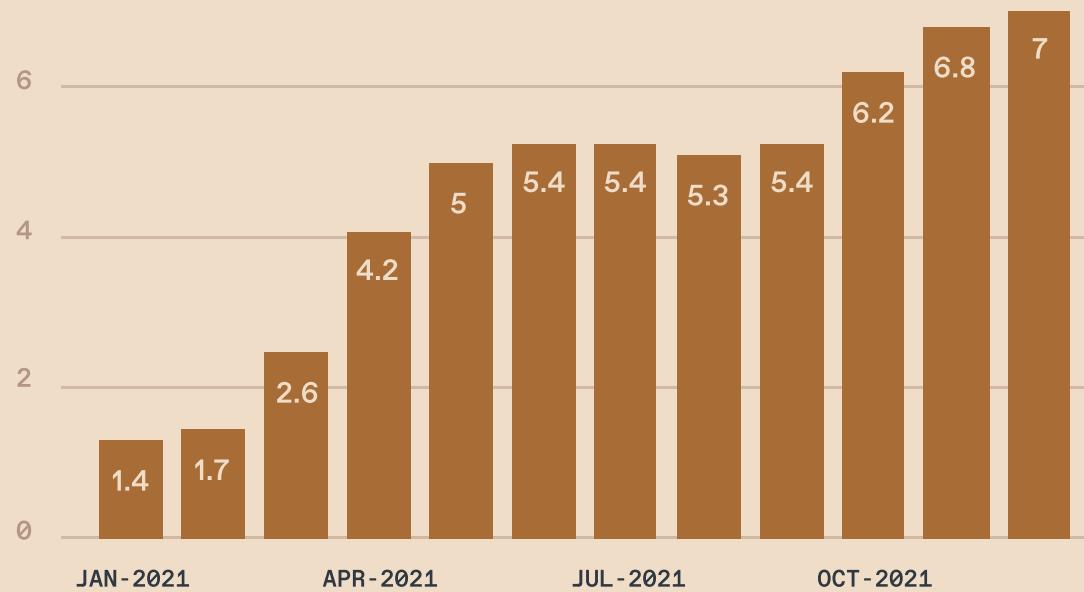
If democratizing fine wine is our mission, dunking on gold is our side quest. We simply don't understand why [one in nine Americans](#) allocate part of their portfolio to this shining rock.

For starters, fine wine outperformed gold by a healthy margin. The average Vinovest users saw their wine return 19.3% last year, while gold dropped 3.82%. (In case you're wondering, gold has not hit a new peak price since 1980.)

Gold also lacks a lot of meaningful secondary characteristics, notably inflation-resistance. Much like the BeeGees, it [performed well in the 70s](#) but has been irrelevant since then. In fact, gold has gone down in value during inflationary stretches in the 80s, 90s, and present day. Its mixed track record led Michael McClary, the chief investment officer at Valmark Financial Group, to say, "I wouldn't buy it purely because you think inflation is coming."

#4 - Inflation Nation

For those of you who are squeamish, you may want to avert your eyes. What you are about to witness is the U.S. inflation rate for 2021. Behold.



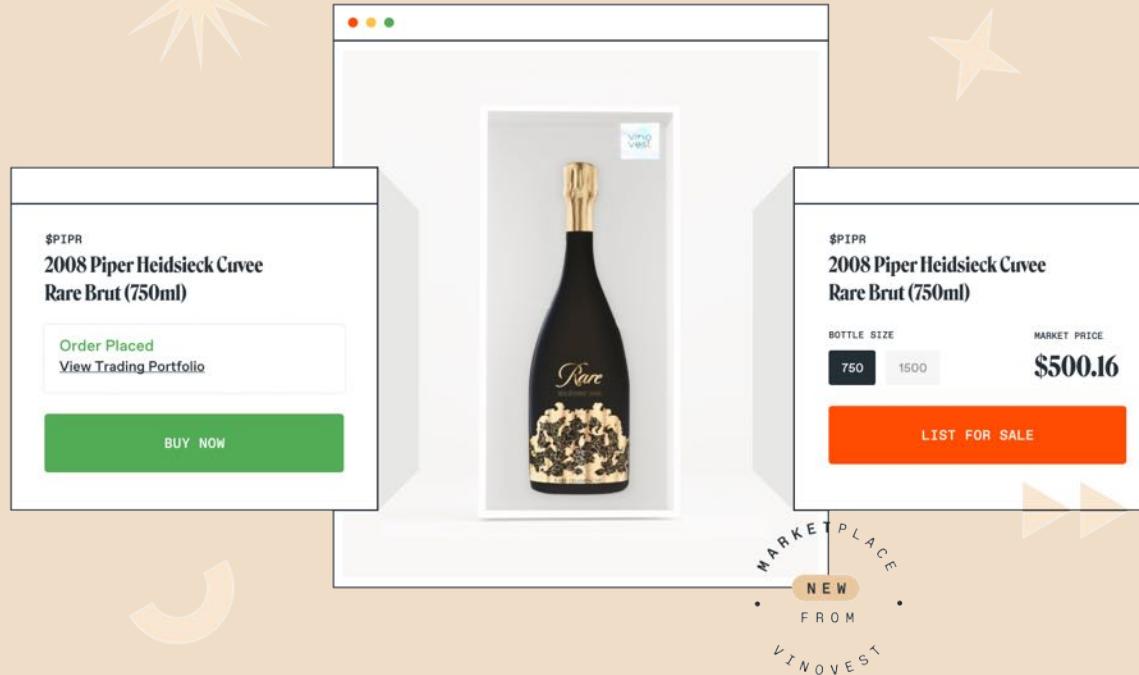
SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

Inflation rates are on the rise largely because of factors related to the Covid-19 pandemic. Government stimulus programs caused a meteoric rise in the money supply. Meanwhile, fewer workers, less productivity, and supply chain bottlenecks have led to added costs at every step from production to sale. As a result, consumers have seen prices inching up month after month, something that doesn't figure to change in 2022.

Fortunately, fine wine offers the perfect hedge against inflation. Because it is a commodity, it's highly inflation-sensitive. That means the price of wine has a strong correlation with the rate of inflation. Research from [Northern Trust](#) further reinforces this notion. The financial services firm found that commodities (5.14) are the most inflation sensitivity real asset, while stocks (0.19), bonds (0.19), and public infrastructure (0.15) are the least inflation-sensitive.

Investment Outlook for 2022

Vinovest Launches Wine Exchange



Say goodbye to minimums. Say hello to complete control. With Vinovest's new trading platform, investors can buy or sell investment-grade wine the same way they buy and sell stocks with their brokerage account. Best of all, there are no account minimums and no minimum hold times.

From any device, users can make deposits, manage their investments, view returns, and access detailed information about wine in their trading portfolio. As our CEO and co-founder Anthony Zhang put it, "Robinhood revolutionized the way we buy and sell stocks and crypto. Now we're transforming fine wine investing with our trading platform."

START TRADING

Champagne Shortage



You don't need an economics degree to know that the unusually small Champagne harvest will have a ripple effect on prices. The diminutive crop yields have caused upward pressure on prices. By how much? That is what we will find out in 2022.

James Simpson, the managing director of Pol Roger Portfolio, predicts "stable, sensible" price increases for Champagne next year. Champagne producers have some wiggle room, too, thanks to a reserve stock system designed to manage prices during poor vintages. Producers and négociants can tap into these reserves to meet demand or at least some of it.

VINOVEST VOICES

Perfect Friday Night Pairing

**Ryan La Valle**

PORTFOLIO MANAGER

It's been a long productive week and just when you're about to hit "send" on that last email, I can't help but think of Champagne. The smell of pale stone fruits and baked brioche wafting through the abundance of tiny bubbles! By now, most of you know my bullish stance on the region from an investment perspective. I also enjoy drinking some bubbles this time of year, too.

When pairing Champagne, images of oysters over ice or a heaping can of caviar pop to mind. Recently, I pushed these traditional thoughts aside and found a new personal favorite pairing - Champagne and fried chicken! What better way to combat fatty, delicious savory chicken than with the high acid, delicious autolytic bread notes of a crisp Champagne? Add some black pepper and chili to the chicken coating, and your taste buds are in for quite a ride! Kick back and welcome in the weekend...

VINOVEST VOICES

The New Sparkling Wine

**Sacha Perreault**

SALES DEVELOPMENT REPRESENTATIVE

I'm based in Vermont now, but as I was born and bred in the UK, I can't help but have a soft spot for the English Sparkling Wine. Made using the same grapes that make Champagne, the south of the UK has been tipped to be the new "Champagne"! One of my local favourites is Harrow & Hope Brut Reserve - it helps that the winery is right on my doorstep back home too!

But it seems I'm not the only one giving praise to the English wine industry. I was interested to hear the [CBS feature](#) on the extreme weather issues affecting the harvests in France last year, leading to the smallest harvest in decades, and spotlighting the rise of UK sparkling wine producers in the wake of changing climates in France. All of this will yield not only a Champagne shortage but an increase in prices on future vintages. Fine Wine trading for UK sparkling wine started in 2017 so it's still early days, but perhaps this perfect storm is the opportune time to try Champagne alternatives and perhaps soon, we may see the UK be included as a serious new world fine wine region for investment portfolios...

VINOVEST VOICES

Look into Sustainably Built Wineries

**Julie Wilson**

PORTFOLIO ADVISOR

When the topic of sustainability comes up, we often focus on farming practices at vineyards. Equally as important, though, are green-built facilities. Take Beronia in Rioja, for example. It was partially built underground to harness geothermal energy and reduce dependence on non-renewable energy.

Meanwhile, Cade Estate in Napa uses textured glass in its workspaces to minimize cleaning and maintenance. At the pinnacle of energy efficiency is Silver Oak Winery. The winery is the first commercial production winery to earn LEED Platinum certification, doing so at its Oakville and Alexander Valley facilities. Achieving these distinctions meant:



Courtesy of Silver Oak

- Replacing its grass lawn in Oakville with natural-looking turf, which saves more than one million gallons of water per year
- Adding 2,500 solar panels in Alexander Valley, which cover 105% of annual energy needs
- Treating all water with a Membrane Bioreactor to reduce potable water usage by 37%
- Repurposing redwood tanks as siding for main Alexander Valley building

These are just a few examples of wineries implementing sustainable practices across all sectors of their business. In the words of Silver Oak Winery CEO David Duncan, “One of my goals has been to make [the winery] cost-efficient; if we build green at any cost, we’re not proving anything because that’s not practical for most people.”

Start investing today

Questions? Contact ir@vinovest.co

