

VINOVEST QUARTERLY REPORT

# July - September 2021





# Simple, Modern Wine Investing for Everyone

Vinovest's mission is to make wine investing friendly and approachable through world-class wine experts and technology. Welcome to a place where you can have your profits and drink them too.



Forbes

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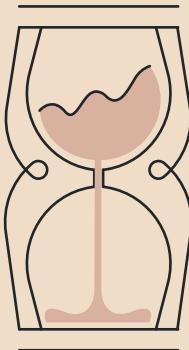
TC TechCrunch



People are taking notice

# The TL;DR

Quarterly reports are long, so let's keep this short. Here's the 30-second version of our quarterly report.



**1.84%**

The net aggregate return on investments of Vinovest Portfolios.

**-0.25%**

The depreciation in the Vinovest 100 in Q3.

**3.63%**

Burgundy had the largest return on investment of any region in Q3. It was close, though. Tuscany had a lead going into September, but a strong month from Burgundy (1.89%) catapulted it into the top spot.

**8**

The number of wines at Vinovest that returned more than 100% in Q3. The 2013 Lafleur led the way with a 341% return on investment, making it one of the ten most expensive wines in Bordeaux.

**30%**

The expected decline in production for French wine producers in 2021.

Devastating frost swept through the region, damaging vineyards from Burgundy to Bordeaux. The reduced yields could lead to upward pressure on prices in the coming months.

**7**

The number of new hires at Vinovest in Q3. Welcome, Jason Kendall, Michael Martinho, Laura Otey, Michael Zarka, Cory Cunningham, Julie Wilson, and Ryan La Valle.

# Vinovest Performance in Q3

# The Vinovest 100 index

The Vinovest 100 is our proprietary index that tracks 12 different fine wine markets around the world.

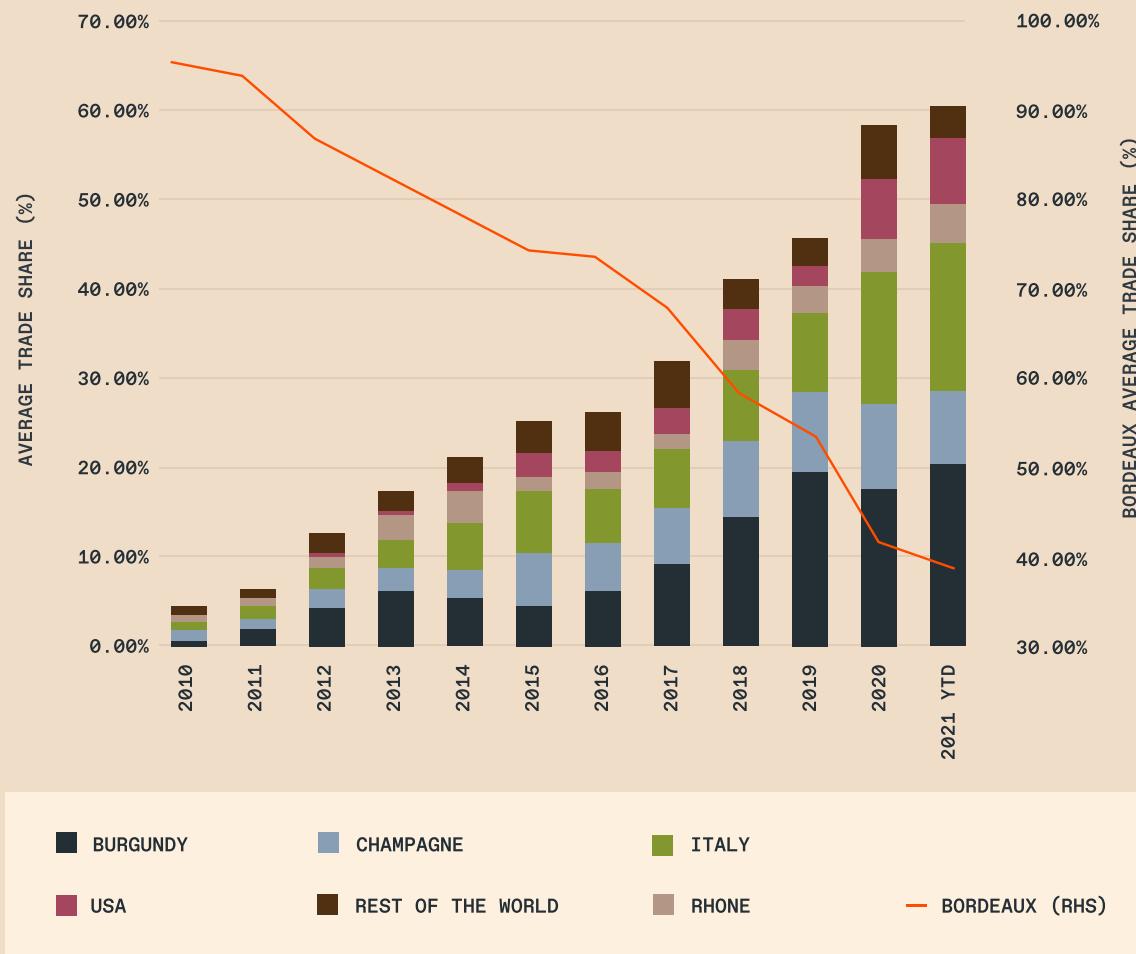
Well, that didn't go as expected. The Vinovest 100 went down 0.25% in Q3, primarily due to an uneven performance from Bordeaux. The region, which accounts for half of the wines in our index, returned -1.96%, wiping out stellar performances from Burgundy and Tuscany.

Here's the good news - the aggregate Vinovest portfolio returned 1.84% in Q3. Translation - most investors outperformed our proprietary index. That's because the average investor has less exposure to Bordeaux in their portfolio.

Our top five performing regions in Q3 included:

Burgundy .....	▲ 3.66%
Tuscany .....	▲ 3.38%
Piedmont .....	▲ 2.38%
California .....	▲ 0.98%
Champagne .....	▲ 0.64%

## Bordeaux market share (2011 to 2021)



There's no single reason to explain away this performance. Perhaps the resurgence of Covid-19 is putting a damper on the markets. Maybe investors want to allocate more money to second wines. (More on this later.)

If we had to pinpoint one reason, it would be the decline in Bordeaux's cachet over time. As the fine wine market **continues to broaden**, investors aren't targeting blue-chip Bordeaux as often. More wines than ever are considered investment-grade, which means that offerings from South Africa, Chile, and Australia are chipping away at Bordeaux's market share.

Investors also want more value from their wines. While Bordeaux is still a titan in the industry, people are now turning to Champagne and California to discover up-and-coming producers and value-rich bottles. In the most extreme scenario, one might argue that Bordeaux is pricing itself out of the market. Considering that Bordeaux led all regions in growth at 4.6% in Q3 of last year, we'd call that an overreaction.

According to Liv-ex, Bordeaux has declined in market share from roughly 95% in 2010 to less than 40% today.



It's also important to remember that all Bordeaux wasn't affected equally. In fact, plenty of Bordeaux fared well in Q3. The region had the most wines of any region, appreciating at least 40% from July to September. While Bordeaux might not be as powerful as it was in 2010, calling this a nail in the coffin would be an exaggeration.

Second, fine wine has historically had steady and stable growth. It would be the sign of the apocalypse if the Vinovest 100 had a 10x return during a single year. That's not a bad thing. That steadiness and stability are why you're unlikely to ever see dramatic dips in the Vinovest 100.

These traits make fine wine an asset for patient investors. The Vinovest 100 returned 8.8% last year and has appreciated nearly 10% over the past 12 months. Long timeframes allow investors to reap the full benefit of fine wine. In the same way that we shouldn't judge a book by its cover, we shouldn't judge the Vinovest 100 by a single three-month span.



# Vinovest News in Q3

# Tier Drops



In September, we released a new tier for investors called Plus. It requires a minimum balance of \$10,000 and comes with all the benefits of the Starter tier, plus a couple of extra perks. For instance, Plus investors receive bi-annual reviews with a portfolio manager and gain access to rare wines and new releases that aren't available at the Starter level. The fact that the annual fee drops from 2.85% to 2.7% doesn't hurt either.

## Plus

\$10,000 MINIMUM BALANCE

2.70% ANNUAL FEE

- All of the benefits of our Starter Tier
- Access to portfolio manager bi-annual reviews
- Access to rare wines and new releases not available on the Starter Tier

# Same Face, Different Place

Entrepreneur

SOMM  
TV

Vinovest is partnering with Entrepreneur and SOMM TV to share news about the wine industry and wine investing. In August, our CEO and co-founder Anthony Zhang published a piece for Entrepreneur explaining [how to protect your money from inflation](#). He offers tangible solutions to combat the rising inflation rate, which has surpassed 5% over the last 12 months.

Meanwhile, our Head of Content and Community, Karl Roskamp, detailed the [impact of aging on wine prices](#) for SOMM TV. The article serves as an easy-to-follow guide for determining which wines are investment-grade and their ideal aging window.

# Come Join Us



Not to toot our own horn, but Vinovest is growing fast. So fast, in fact, that we're having trouble keeping up with demand. We're looking for highly talented and self-motivated engineers and portfolio advisors to join our team. If they have a passion for wine, that doesn't hurt either.

The positions we're hiring for include:

- [Lead Analytics Engineer](#)
- [Lead Backend Engineer](#)
- [Lead Mobile Software Engineer](#)
- [Lead Portfolio Advisor](#)
- [Performance Market Manager](#)
- [Portfolio Advisor](#)
- [Sales Development Representative](#)
- [Sales Manager](#)
- [Senior Frontend Engineer](#)
- [Senior Product Engineer](#)
- [Winery Relations Manager](#)

# Top Performing Wines of Q3

# Here are the top ten performing wines of Q3.

Champagne as a region continues to lead the fine wine boom. With trade volumes at record highs, Champagne has returned more than 6% on investment this year. It's poised to repeat its 10.1% appreciation from last year, thanks, in part, to a handful of standout performances. Champagne placed three wines in our top ten wines of Q3. Only Bordeaux had more, securing four of the top ten spots. Meanwhile, the Rhône, Tuscany, and Champagne rounded out the list.

The complete list includes:

2009 Tenuta dell'Ornellaia Masseto Toscana .....	▲ 85.8%
2008 Taittinger Comtes Champagne .....	▲ 78%



While Bordeaux had a negative return in Q3 for the Vinovest 100, there were more than a few strong returns. Bordeaux placed 15 wines in the top 40, followed by Champagne with ten, Burgundy with six, and the Rhône with five.

Select bottles of Bordeaux benefited from a successful en primeur campaign, which wrapped up in July. The 2020 vintage has been heralded as the third installment in a three-year trilogy. Most critics have touted 2019 as the best vintage, followed by 2020 and 2018. You can think of it as the wine equivalent of the “Lord of the Rings” trilogy.

While the 2019 vintage earned higher scores from critics, the 2020 vintage won the price war. Bottles jumped 27.9% in price from the previous year. The biggest winner was Petit Village, which saw its ex-négociant price increase by 97%.

# Global Markets in Q3

# Classification

## Schmassification



Saint-Émilion will never be the same. In July, Châteaux Cheval-Blanc and Ausone opted out of the 2022 Saint-Émilion classification, a decision on par with LeBron James leaving the Cleveland Cavaliers for the Miami Heat and the UK leaving the EU.

Cheval-Blanc and Ausone were a part of the Premier Grand Cru Classé A tier. It's the most prestigious ranking in Bordeaux, and only four estates have this classification. So, why would anyone abandon it?

In an [article](#) published by “Terre de Vins”, the estates argue that the classification system doesn't accurately reflect the best wines in the region. There's too much focus on secondary characteristics, not the stuff that really matters like the terroir, wine, and history.



Currently, here are the criteria that an independent panel of judges uses to evaluate châteaux in the region:

- The wine ..... 30%-50%
- Reputation ..... 20%-35%
- Terroir ..... 20%-30%
- Winemaking practices ..... 5%-10%

Despite opting out, Cheval-Blanc and Ausone should come out of this affair unscathed. Neither needs the classification system to sustain its reputation or prices. It also spares them from some of the “ugly internal politics of the appellation.”

The last-minute decision likely minimized damage to the classification, at least for now. It prevented a snowball effect where other estates would withdraw, following Cheval-Blanc and Ausone’s lead. However, the classification is undoubtedly weaker, which explains why Angélus and Pavie, who were founding members and the only other Premier Grand Cru Classé A estates, were **less than thrilled** about the decision.

# Fine Wine > Hermès Handbags

The investment consultancy firm Knight Frank announced that fine wine has outperformed other luxury goods over the past year (June 2020 to June 2021.) Investment-grade wines appreciated 13% during the time, more than enough to take the top spot from Hermès handbags and rare bottles of scotch.

Notable performers on the Knight Frank Luxury Investment Index include:

- |                         |      |
|-------------------------|------|
| • Fine wine .....       | +13% |
| • Luxury watches .....  | +5%  |
| • Classic cars .....    | +4%  |
| • Blue-chip art .....   | -2%  |
| • Hermès handbags ..... | -3%  |
| • Rare whisky .....     | -4%  |

According to Nick Martin, the CEO of Wine Owners, demand has been steepest for 1996 and 2000 Bordeaux. “Wine is doing really well, not going crazy, but growing nicely,” he said in a piece by Decanter. “There are no signs of over exuberance.”

# Goodbye Louis Roederer Brut Premier NV



In July, we bid adieu to Louis Roederer Brut Premier NV. The estate announced that it would no longer produce non-vintage Champagne, even though it's Louis Roederer's best-selling wine.

In its place stands a multi-vintage Champagne dubbed Collection 242. What it lacks in consistency, it will make up for in intrigue. The new wine will also command a higher price tag. That's because the quality of the wine will depend entirely on the vintage, whether it's good, bad, or somewhere in between.

Louis Roederer is one of the most notable houses to forgo a consistent style for its entry-level wines. Krug and Jacquesson have used similar approaches to highlight specific vintages. In the words of Roederer's senior vice president of communication Xavier Barlier, "Non-vintage in Champagne is not something. The vision is for the new wine in Champagne to be something."



## Second Best

We've said it once. We'll say it again. Investment-grade wine doesn't have to cost a fortune. Sure, investing in first-growth Bordeaux looks cooler for your portfolio. However, it would be naïve to overlook second wines as an investment opportunity.

Second wines often come from younger vines and unclassified vineyards that experience a rough vintage. Some examples include Carruades, Petit Mouton, Pavillon, Forts de Latour, and Clarence de Haut-Brion. In July, Liv-ex published a [report](#) about its index that tracks various second wines. The index has returned 56% on investment over the last five years and 805% since 2003. All told, it is Liv-ex's best-performing sub-index.



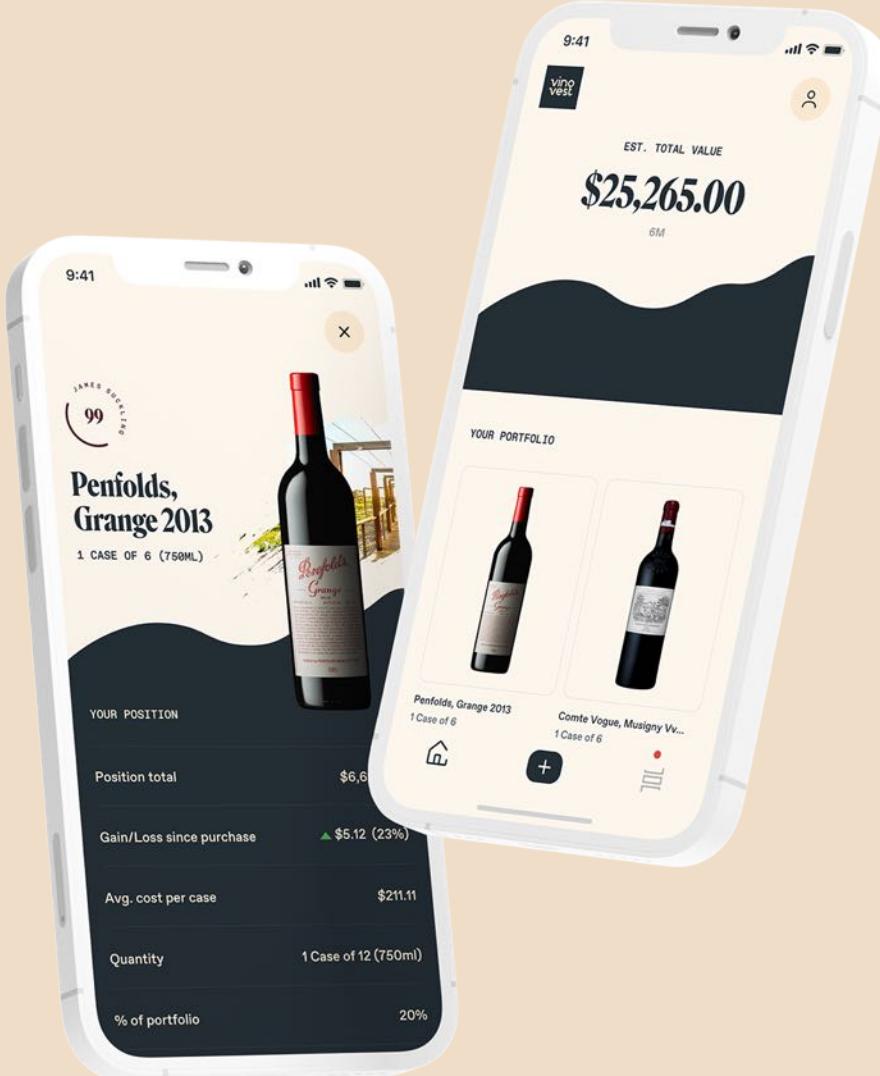
So, what makes second wines a winning investment?

First, they're reasonably priced, especially compared to first growths. Second wines give connoisseurs a way to enjoy an estate, even if they can't afford the grand vin.

Second, they're constantly getting better. Estates are getting more and more selective with their "grand vins". That means better grapes go into the second wine. It's why some of the second wines on the Second Wine 50 index are better than other estate's first wines.

INVEST IN SECOND WINES WITH VINOVEST

# Investment Outlook for Q4



# The Vinovest Mobile App

Our goal at Vinovest is to democratize fine wine. That means taking power from the industry gatekeepers and putting it in the hands of the people. The most significant step in that direction will be the release of our mobile app.

While we don't want to tip our hand just yet, we will say that our team is hard at work. This app is our most ambitious project to date. We're looking forward to debuting the final version in Q4.



## Frexit

We already touched on this, but the exit of Châteaux Cheval-Blanc and Ausone from the 2022 Saint-Émilion classification has long-lasting consequences that bear repeating.

Their departure leaves Premier Grand Cru Classé A weaker than ever. It will be further diluted if the advisory board promotes too many other wineries to the highest tier. In that case, Angélus and Pavie, the two remaining Premier Grand Cru Classé A estates, may see a hit to their reputation and prestige.

# Upcoming Releases

Even though the year is winding down, there are still plenty of notable wine releases slated for October, November, and December. Many of them will come from Brunello and Barolo, regions that require extensive aging before wines are made public. Some notable bottles to look forward to include:

## 2017 Brunello

- Altesino
- Brunello di Montalcino
- Brunello di Montalcino Montosoli
- Brunello di Montalcino Riserva
- Canalicchio di Sopra
- Castiglion del Bosco
- Fuligni
- Giodo
- Mastrojanni
- Il Poggione

## Champagne

- Krug 2009
- Dom Pérignon Rosé 2008

## 2018 Barolo

- Muga Rioja Reserva

Want to add world-class Champagne, Barolo, and Brunello to your investment portfolio? We have you covered.

INVEST IN FINE WINE NOW

# Start investing today

Questions? Contact [ir@vinovest.co](mailto:ir@vinovest.co)

