

Vinovest Quarterly Report

April to June 2022



Simple, Modern Wine Investing

At Vinovest, 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.



Fine Wine Performance in Q2



Fine wine thrived in the second quarter, especially considering the bleak financial quagmire that is the global economy. (More on that in a moment.) However, one region stood head and shoulders above the rest – **Burgundy**.

Burgundy's stratospheric growth is hot enough to make the Human Torch sweat. In June, it achieved a [new record trade share](#) on the secondary market, accounting for 38.3% of all transactions. By comparison, perennial heavyweight Bordeaux only accounted for 34.1% of trade share despite 1) the hype of its 2021 *en primeur* campaign and 2) producing four times more wine than Burgundy.

Two factors are driving Burgundy's stunning prices. First is the **increased cost of production**. Simply put: everything costs more than it did a year ago. It doesn't matter whether you live in France, Finland, or the Falkland Islands, inflation is inescapable. Those costs are being transferred to the wine itself.

Content

By The Numbers	Page 4
Fine Wine Performance in Q2	Page 5
The Financial Markets in Q2	Page 8
Investor of the Month	Page 10
Marketplace Makeover	Page 11
2021 Bordeaux En Primeur	Page 12
Coming to You Live from Vieux Château Certan	Page 14
Dollars Strengthens Against the Pound	Page 15
Gotta Collect Them	Page 18
Wine of the Week	Page 19
Investing Outlook for Q3	Page 20



-5.64%

The average return for wines held in Vinovest portfolios in Q2 in US dollars. That translates to a **+4.37%** return in British pounds.

7.8%

The increase in value of the US dollar relative to the British pound. (For more, check out Page 15).

-16.1%

The performance of the S&P 500 with dividends reinvested in Q2. The Dow Jones, NASDAQ, and Bitcoin offered no relief, returning **-6.71%**, **-22.47%**, and **-58%**, respectively.

8.6%

The current inflation rate in the US, the highest rate since 1981

1st

Fine wine was ranked the best performing investment over the last year, according to [Moneymade.io](#)

50

The result of the University of Michigan index that measures consumer sentiment in the United States, the lowest level on record

5,928

The number of trees planted in partnership with [One Tree Planted](#) to fight climate change since 2019

Liv-ex Burgundy 150 Returns

Year to Date	22.3%
1-Year	48.4%
2-Year	64.6%
5-Year	118.3%
18-Year	765.2%

Returns are in British pounds

In the words of [Frédéric Drouhin](#), the president of Burgundy grower and négociant Maison Joseph Drouhin, “Prices are not increasing because we are getting arrogant, or because we are generating more value, but because the average cost [of production] is increasing; the margins remain the same.”

Second reason for Burgundy’s rising prices is **the climate crisis**. Evolving climates don’t just mean higher temperatures. They also mean more severe and erratic weather. Because Burgundy has a continental climate with hot summers and cold winters, it’s already vulnerable to extreme weather. The climate crisis has bumped that up a few notches. One unfavorable stretch of weather could devastate its diminutive production.

Case and point: the spring of 2021. Severe frosts reduced production by 50%, with some vineyards, like Meursault Les Perrières and Puligny Les Folatières losing all of their fruit. The smaller harvest meant that few wines got released. Additionally, demand for back vintages, or wines from previous years, increased as collectors and connoisseurs scrambled to buy available bottles.

Beyond Burgundy

Burgundy wasn't the only wine region putting the stock market to shame. According to Liv-ex, the Rhône was the second-best performing wine region in May. Five of its wines jumped more than 17% in value, including three from legendary producer, E. Guigal (2011 Côte Rôtie Ampuis, 2012 Côte Rôtie Ampuis, and 2009 Landonne.)

Stateside, California is experiencing a boom in demand. A study from the Wine Institute found that [wine exports increased 10.6%](#) over the last year. California alone accounts for 95% of American wine exports and a \$1.37 billion bump in new revenue.

Finally, there is Champagne. It's the one region that we cannot put enough of on the Vinovest Marketplace. Our Head of Content and Community Karl Roskamp even tried to buy some Krug during our recent Passport Collection and [came away](#) empty-handed.

Best Performing Wine Regions in Q2

Index	Return in GBP	Return in USD
Burgundy	8.09%	-2.28%
Vinovestors	4.37%	-5.64%
Rhône	3.53%	-6.40%
Champagne	2.71%	-7.14%
California	1.53%	-8.20%
Bordeaux	1.19%	-8.52%
Rest of the World	1.17%	-8.54%
Italy	0.49%	-9.15%

Source: Liv-ex

The Financial Markets in Q2



If you believe in always looking on the bright side, you might want to skip this section. The global economy was anything but sunshine and rainbows in the second quarter. Most ominously, Morgan Stanley CEO James Gorman predicted [50-50 odds of a recession](#), an estimate that is up from 30% a few weeks prior.

There are two key factors that made the second quarter so financially challenging: **the stock market** and **inflation**.

Let's start with the stock market. The S&P 500 dropped -16.1%. The Dow Jones and NASDAQ fell -6.71% and -22.47%, respectively. Even stock markets abroad like the DAX, and CAC 40 dipped double digits.

While many investors and analysts have cited changes in the Federal Reserve's policy for inducing a bear market, it's far from the only reason.

Russia, home to the 11th largest economy in the world, has been at war with Ukraine since February. Its invasion triggered widespread economic uncertainty and supply shocks to the oil and commodities markets. It doesn't help that the Covid-19 pandemic isn't over, either. Health officials continue to see nearly a million new cases per day worldwide.

Meanwhile, inflation in the United States sits at a 41-year high. Higher prices on food, energy, and housing have strained budgets and tightened spending. The Federal Reserve has gradually increased interest rates to combat the rising inflation. If low-interest rates cause stocks to rise, high-interest rates can have the opposite effect. While this change can curb inflation, there's always the risk of a recession if rates go up too much or too fast.

Inflation Rate Among G20 Countries

1	Turkey	73.5%
2	Argentina	60.7%
3	Russia	17.1%
4	Brazil	11.7%
5	Spain	10.2%
6	United Kingdom	9.1%
7	United States	8.6%
8	European Union	8.1%
9	Canada	7.7%
10	Mexico	7.7%
11	India	7%
12	South Africa	6.5%
13	Singapore	5.6%
14	South Korea	5.4%
15	Australia	5.1%
16	Indonesia	3.6%
17	Switzerland	2.9%
18	Japan	2.5%
19	Saudi Arabia	2.2%
20	China	2.1%

Source: *Trading Economics*

From Screaming Eagle to Château Lafite Rothschild, there's no shortage of amazing wines that deserve the spotlight.

Of course, we think that the people behind the portfolios are amazing, too. That's why we want to shine the spotlight on some of our recent Clients of the Month.

Want to be our next Client of the Month? Join the community and comment on the next Client of the Month post.

BECOME CLIENT OF THE MONTH

Client Profile

Interview

Jigar Shah

Location: Lincoln, NE ■ **Investor Since:** December 2021 **Favorite Wine:** I always love to enjoy a bottle of shiraz with friends **Bucket List Wine:** Château Mouton Rothschild

V. What wines are in your portfolio?
J. On the managed side, VinoVest was able to source some great wines from Napa, Sagamore, Clos duache, Clos des Cailloux etc... On the trading side, these wines are a mix of specialty collections.

V. What got you started in wine investing?
J. Originally, I saw that ad for VinoVest on Facebook. I did not give it much thought until I read a few tweets from Anthony Zhang, and then stumbled upon his interview on the Investor Podcast! Some research and study compelled me to put the trigger on wine investing.

V. What are some wines or wine regions you'd like to add to your portfolio?
J. I do not have any Champagne in my portfolio. Would definitely like to add some.

V. What do friends say when you tell them that you invest in fine wine?
J. They are definitely intrigued as this is still very much a new industry compared to stocks, bonds, real estate, and other trad-it's assets. I do my part in sending them articles, videos, and other research material to pique their interest!

V. What do you hope to achieve with wine investing?
J. As an investor in the stock market. However, also being in crypto and stocks, would very much like to limit the volatility of the overall portfolio as best as I can.

To learn more about wine investing, visit us at:
www.vinovest.com/advisors or vinovest.com/blog



INVESTOR PROFILE

Wendy Ou

Location: Manila, Philippines ■ **Investor Since:** July 2019 **Favorite Wine:** Malbec or Rioja paired with Argentine steak

V. What got you started in wine investing?
W. I was looking for alternative assets investments, and VinoVest caught my eye for it's investor-friendly and unique value proposition.

V. What wines are in your portfolio?
W. Saint-Emilion, Barolo, Barberesco, Sangiovese, some new world wines, some Champagne, etc...

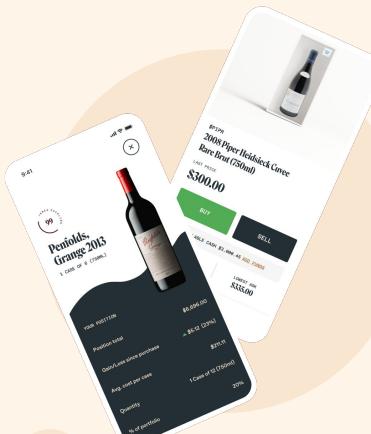
V. What regions or wines are you looking to add to your portfolio?
W. I differentiate between wine for consuming, and wine for investing...so I'm happy to leave wine investment recommendations to VinoVest experts!

V. What do friends say when you tell them that you invest in fine wine?
W. It's a great topic for conversation! Not only is wine investing in and of itself interesting, VinoVest's unique value proposition merging an age-old investment with modern technology makes it even more so to the average investor who previously had limited access to this market.

Learn more about some of our other Clients of the Month:
[Next: Jigar](#) or [Next: Pollicino](#)



The 5 Biggest Stories of Q2



#1 - Marketplace Makeover

On January 30, we launched the Vinovest Marketplace. Four months later, the first-of-its-kind trading platform [got a serious makeover](#). Instead of solely purchasing wines from our collections, Vinovestors can now buy, sell, bid, and list wines just like they would with stocks and a brokerage account.

The revamped marketplace offers several benefits over the previous version, including:

1. **24/7 Access.** If you miss a specific collection, you can acquire bottles later.
2. **Easy Selling.** If your wine jumps in value, you can cash out, and reinvest your profits.
3. **Instant Buying.** Goodbye, waiting two to three weeks. Hello, instant investments.

While great wine is complex, investing with the Vinovest Marketplace is not. The platform comes with a handy guide that explains the buying, selling, and bidding processes. That way, you can trade like a pro in no time.

CHECK IT OUT

Bordeaux 2021 Wine	Appellation	Score
Château Ausone	St Émilion	97-100
Château Lafleur	Pomerol	98-99
Château Le Pin	Pomerol	98-99
Château Petrus	Pomerol	98-99
Château Cheval Blanc	St Émilion	97.99

#2 – 2021 Bordeaux En Primeur

The 2021 Bordeaux en primeur has been...interesting.

The vintage faced numerous threats including frost and mildew. When it came time to harvest, growers found that the vines yielded 15% less fruit than the previous year.

This vintage faced every calamity imaginable. Through it all, wines were bright, fresh, and acidic. As wine critic Neal Martin wrote, “[The 2021 Bordeaux wines] stand as a testament to the effort and skill of winemakers and vineyard teams.”

Overall, critic scores have been positive but reserved. There are fewer glowing reviews compared to renowned vintages like 2010, 2015, 2016, and 2018. However, if you know where to look, you can certainly find exceptional values.

Here are the top five Bordeaux wines, according to wine critic James Suckling:





Our winery relations manager, Fabrice Georges, was even more optimistic about the vintage. He traveled to Bordeaux for *en primeur* and met with three dozen producers. Later, he described the vintage as “classic,” a word that some can interpret as “average”:

“Rather than highly solar offerings like 2018, 2019, and 2020, we returned to an era of classic Bordeaux. These wines are fresh, youthful, refined, and a beautiful homage to the 1980s and 1990s.”

His two favorite wines: **2021 Château Haut Brion Blanc** and **2021 La Conseillante**. Georges compared the Haut Brion Blanc to the “greatest white Burgundies in terms of depth and richness.” Meanwhile, La Conseillante stood out for “purity and silkiness [that is] intoxicating, with a finish that resonates for ages.”

With gems like these slightly harder to find than in past vintages, expect them to command a premium on the secondary market.



Our head portfolio manager, Elaine Lau, and our winery relations manager, Fabrice Georges, celebrated a successful webinar in style.

#3 – Coming to You Live from Vieux Château Certan

At Vinovest, our mission is to democratize fine wine investing and bring people together. A part of that mission means breaking down the barriers between clients and the wines in their portfolios. That's why, on May 25, **we hosted our first-ever webinar from a winery.**

The event took place at Vieux Château Certan, an estate on the Right Bank of Bordeaux. For part one, head portfolio manager, Elaine Lau, sat down with the Thienpoint family to discuss the remarkable rise of the winery. Vieux Château Certan doesn't belong to a classification, but is widely considered one of the great producers in the region.

For the second part, our winery relations manager, Fabrice Georges, explored the vineyards and cellar with Guillaume Thienpoint, the son of owner Alexandre Thienpoint. That included an up-close look at the casks that store the estate's grand vin. Vieux Château Certan only produces 5,000 cases per year, with the average bottle retailing close to \$300.

[WATCH PART 1](#)

[WATCH PART 2](#)



#4 - Dollars Strengthens Against the Pound

One year ago, \$100 was worth £72. Today, \$100 is worth £82. So, what does this mean for wine investing? A great opportunity. Let us explain.

How Wine Prices Work

Let's start with an analogy. All oil sales are quoted in US dollars. Why? The dollar is the most widely used currency in the world. The popularity makes it easier for exporters to invest their proceeds because they don't have to constantly convert currencies with each sale.

The same framework applies in the fine wine industry. The difference is that majority of fine wine traders use the Great British Pound (GBP). When you see the value of wine in your portfolio, it is based on the value of the British pound.

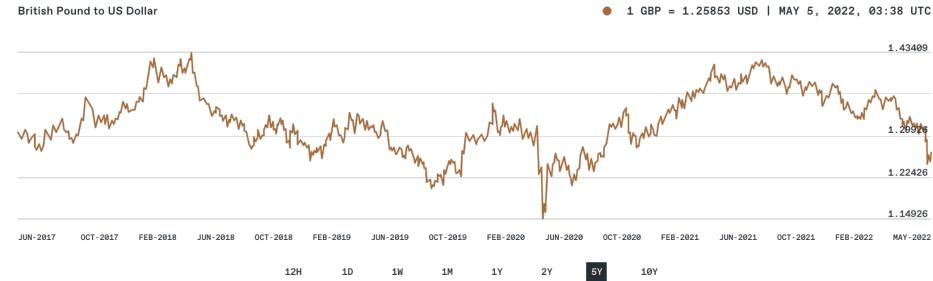
Now imagine that you're a wine investor who doesn't live in the United Kingdom. (A big stretch, I know.) If you saw your wine portfolio valued in GBP, the actual value might be unclear. The value would make more sense if it were listed in your native currency. That's why Vinovest converts portfolio values from GBP to US dollars. That's also where the problem arises.

How the Foreign Exchange Rate Impacts Wine Prices

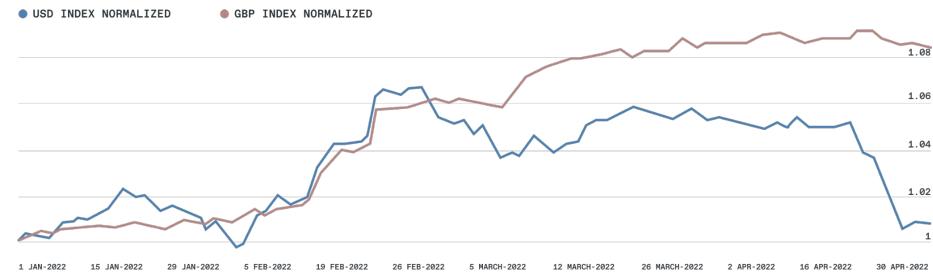
There's no way to sugarcoat it – the British pound has been volatile in 2022. Most notably, it has weakened compared to the US dollar. In one year, **the US dollar has gained 13.8% in value in relation to the British pound.**

Now let's imagine that you had invested in a \$138 (£100) bottle of wine at the start of the year. Today, that wine is worth \$121 (£100) because the dollar gained 13.8% of its value compared to the pounds. The wine has remained the same at £100. The exchange rate has not. To illustrate, here are the normalized year-to-date returns for Vinovest wines in dollars versus pounds.

GBP to USD Chart



Vinovest Wine Portfolio YTD Performance in USD and GBP





Fine Wine at Discounted Prices

If you're an American or Hong Konger, cash register sounds should be going off in your head. The pound falling in value is a golden investing opportunity. The US and Hong Kong dollars (HKD is pegged to the USD) are gaining value in relation to the pound, meaning you can get more wine for the same price. Think of it as a built-in discount every time you invest.

That's not all. Fine wine continues to hit set record highs. The number of fine wines traded month over month has risen by 19.6% and the value of traded wine rose 21.5%. Plus, fine wine's year-to-date returns look absolutely divine considering that the S&P 500 is off to its worst start in 83 years.

Fine wine has been a rare beacon of stability for investors in 2022. Despite rising inflation, stalling stock prices, and a land war in Ukraine, the fine wine market has continued to march to the beat of its own drum.



Puppy Perks. The Mascot Collection came with multiple perks for Vinovestors, including early access to our Harlan collection, free copies of *The Bar Sinister*, and tickets to The Mascot's 10th Anniversary in Manhattan.

#5 – Gotta Collect Them

Vinovest launched seven different collections in the second quarter. In the process, we notched some important milestones.

- **The Rhône**, April 5, 2022 – The introduction of more detailed and themed wine guides
- **Tuscany**, April 19, 2022 – The first Italian wines on the marketplace
- **The Mascot**, April 26, 2022 – Our first collaboration with a winery
- **Piedmont**, May 5, 2022 – Unofficially, this collection featured the rarest wines, with many wineries only releasing a few hundred cases per year
- **Judgment of Paris**, May 17, 2022 – A head-to-head competition commemorating the anniversary of 1976 Judgment of Paris
- **Sommelier Collection**, June 7, 2022 – Vega Sicilia Unico marks the debut of Spanish wine
- **Passport Collection**, June 28, 2022 – The debut of the first Australian and Portuguese wines on the marketplace



Karl Roskamp

Head of Content and Community

"I have a confession: I'm not really a wine enthusiast.

I enjoy Vinovest for the portfolio diversity. (The returns aren't bad, either.) When it comes to choosing between champagne and chardonnay with dinner, I wouldn't know where to begin.

It's one of the reasons why I love the Wine of the Week from our senior global wine trader, Liz Dowty Mitchell. Every week, she picks a different wine that she believes is worth trying. One week it could be a fruity nebbiolo. The next week it could be a refreshing rosé.

Here's the best part: all these expert-approved wines are budget-friendly. Think \$15 to \$30. That way, you can find a wine you love without breaking the bank.

I hope you enjoy the Wine of the Week as much as I do. I look forward to reading your tasting notes in the community."

[TRY WINE OF THE WEEK](#)

Investing Outlook for Q3



The beginning of 2022 marks the worst start for the S&P 500 since 1970 and since sixth-worst [since 1928](#). We are entering uncertain times, to say the least.

Federal Reserve Chair Jerome Powell has already said that curbing inflation is his top priority. However, he won't interfere with the Fed's "critically important work" to do so. With so many variables up in the air – inflation, geopolitics, interest rates, Covid-19 – things may get worse before they get better.

So, what does this mean for fine wine? The safest bet is more of the same. Demand for Burgundy and Champagne isn't going to disappear overnight. Nor is the supply chain going to immediately fill the glass bottle shortage that has left Germans [paying 80% more for glass](#) than a year ago.

Silicon Valley Bank Wine Division founder Rob McMillian [summed up this sentiment](#) during the start of the Covid-19 pandemic. His logic still applies three years later:

"We have to start the conversation by recognizing that people enjoy wine in good times and stressful times. Wine is not recession proof, but it is recession resistant. In the same way, it might not be virus proof, but it will prove virus resistant from an economic perspective. There is no chance we will see sweeping abstinence as a consequence of the virus."

Italian Wine Releases

In France, producers release their latest vintage as soon as possible. That includes releasing wine before it's ready for consumption or bottling. In Italy, producers can only sell their wine after it has aged for a specified time.

The labyrinthian rules and regulations make Italian wine releases more heterogeneous than their counterparts. At Vinovest, we are here to help you keep it all straight. This handy guide covers the regions, grapes types, and vintages being released this fall.

One of the most intriguing releases is 2018 Bolgheri. The region experienced an excellent growing season with warm summer days and cool nights. Merlot and cabernet sauvignon thrived in the conditions, with sangiovese yielding less uniform quality due to some hail and heavy rain. Expect 2018 Bolgheris to showcase vibrant fruity cores with refreshing acidity and age-worthy structure.

Region	Sub-Region	Grape	Vintage Being Released
Piedmont	Barolo	100% nebbiolo	2018
Piedmont	Barbaresco	100% nebbiolo	2019
Piedmont	Langhe	100% nebbiolo	2020
Tuscany	Brunello di Montalcino	100% sangiovese	2017
Tuscany	Rosso di Montalcino	100% sangiovese	2019, 2020
Tuscany	Bolgheri	Multi-grape blend	2018



Mark Your Calendars

Fireside Chat with CJ McCollum

Thursday, July 8

All Vinovest clients are invited to meet our newest advisor and ambassador, CJ McCollum. The New Orleans Pelicans guard even owns his own vineyard, McCollum Heritage 91.

Whiskeyvest Webinar

Mid to late August

Join us for the official launch of Whiskeyvest. Our team will guide you through the whiskey investing landscape and current trends while answering your burning questions.

It's a Cellar's Market

Vinovest clients have more than 250,000 bottles stored in their cellars.

Get your bottles at vinovest.co.

