Q3 REPORT

2023

WINECAP

Executive Summary

Welcome to our **Q3 2023 report**, which examines the trends that shaped the fine wine market over the past three months. We have taken a closer look at mainstream market performance, the best buying opportunities in fine wine, new releases from La Place de Bordeaux and the latest industry news.

Report highlights

- Investors leaned towards liquid assets like cash amidst the struggle between the Federal Reserve and inflation, contributing to an environment steeped in risk and uncertainty.
- Q3 witnessed a marked slowdown and potential bottoming out of fine wine prices, with the Liv-ex 100 index showing modest signs of recovery.
- The fine wine market morphed into a buyer's market due to stock availability and dipping prices, especially visible in regions like Champagne.
- The La Place de Bordeaux campaign, amidst an eleven-month market decline and global economic uncertainties, mirrored the earlier En Primeur campaign in its inability to energise the market, with offerings often misaligned with trade expectations.
- Wines like Almaviva 2021 and Masseto 2020 stood out, providing relative value for money and showcasing a strong price performance history.
- Investors should be looking at 'pockets of opportunity' where there is brand strength, value and liquidity.
- Demand is likely to pick up in Q4 with Christmas around the corner and exciting vintage releases on the horizon.

The fine wine trends that shaped the market

High interest rates rattle global markets

Mainstream markets experienced a turbulent third quarter, mainly due to a marked rise in borrowing costs coupled with a substantial increase of nearly 30% in oil prices. As a major input in several industries, rising prices for crude oil led to an overall increase in production costs, impacting profit margins and, ultimately, reducing stock prices. These developments created a challenging landscape for stocks and bonds, with investors opting for more liquid assets like cash which tends to be a safer short-term bet. This inclination towards liquid assets illustrated the unresolved struggle between the Federal Reserve and inflation, leaving investors navigating a path marked by heightened risk and uncertainty.

Fine wine's downturn slows

Fine wine prices fell in Q3, but their declines gradually became smaller. For instance, the Liv-ex 100 index recorded dips of 3.1% in July, 1.3% in August and 0.1% in September, showing humble signs of recovery. The broader Liv-ex 1000 index dipped 3.9% in Q3. Italian wine fared well, thanks to strong performance from Tuscany and Piedmont, as well as older Bordeaux vintages which experienced slight rebounds. Global trading activity increased, suggesting that interest is there for well-priced stock.

A buyer's market

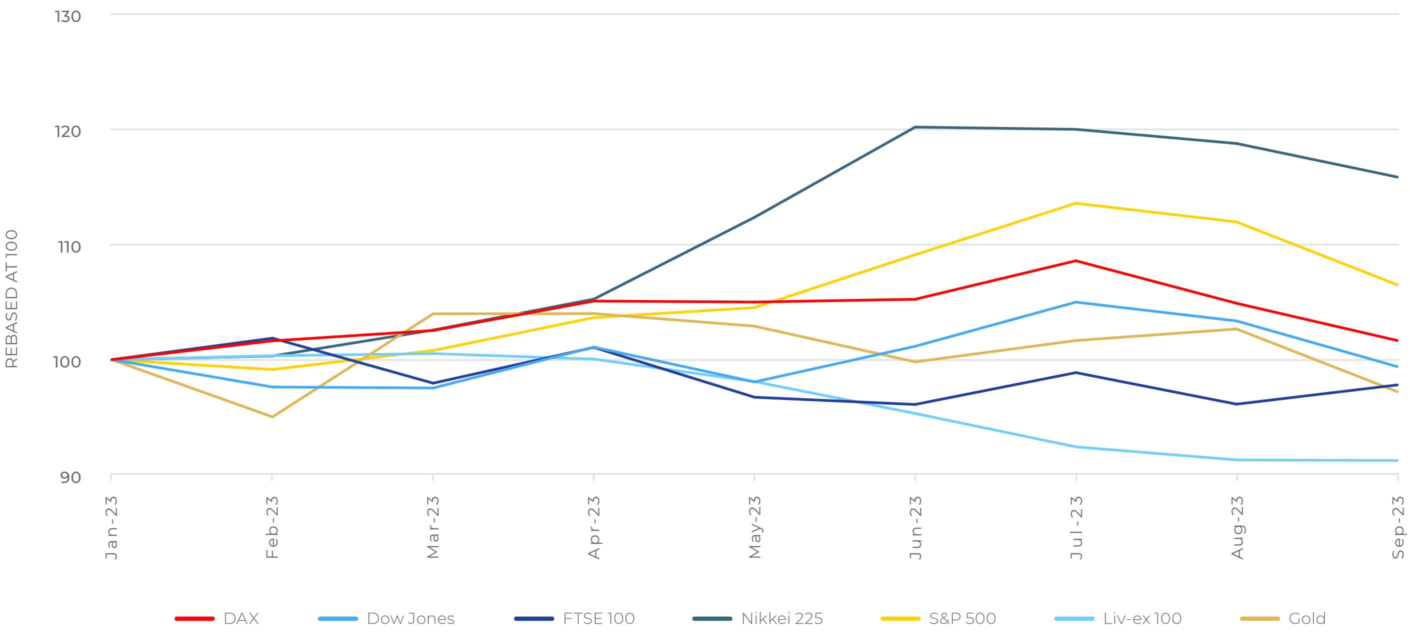
The fine wine market in Q3 was a buyer's market for two main reasons: availability of stock and falling prices creating value. This was particularly noticeable in regions like Champagne. Some of the top and most desirable brands, which have impressive mid- to long-term performance, saw small declines in Q3. Buyers took advantage of this opportunity and demand increased. Such is the case with Dom Pérignon 2013, which has fallen 7.1% in value since its release in January but has been the most traded wine this year. The brand's overall trajectory is upwards, with Dom Pérignon prices rising 67% on average in the last five years, and 130% over the last decade.

Assessing the La Place de Bordeaux campaign

Over 110 fine wines were released through La Place de Bordeaux this September. The overall pricing strategy bore similarities to Bordeaux En Primeur earlier this year: price increases that failed to take the current market environment into account. Some critics expressed the opinion that there weren't 'as many hits as usual'. Two wines that stood out as good value were Almaviva 2021 and Masseto 2020; the latter immediately generated trading activity above its release price.

Ongoing market turbulence in Q3

Liv-ex 100 index vs other indices year-to-date



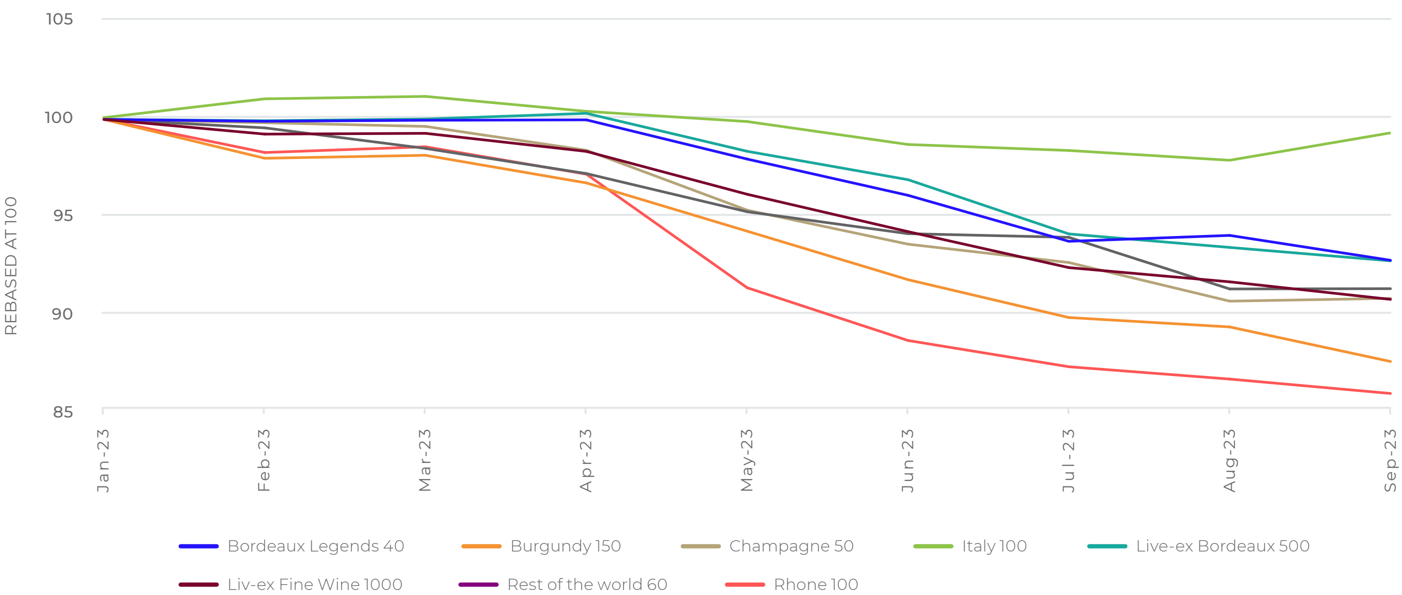
In the third quarter, global attention steadfastly hovered over inflation and its implications for interest rates. Investors became wary due to the continuation of elevated interest rates. Consumer fears of an impending recession also ticked back up, consistent with the short and shallow economic contraction anticipated for the first half of 2024, according to the Confidence Board. Despite a robust onset in July, equity markets subsequently descended in August and September, while safe havens like Gold also lost some of their shine.

The energy sector emerged as a bastion of resilience, bouncing back in response to a surge in oil prices throughout the quarter, attributed to OPEC nations curtailing production. The US dollar, commencing an upward trajectory since the early stages of Q3, returned to levels previously witnessed around December of the preceding year, bolstered by the Federal Reserve's stringent monetary policy and escalations in interest rates. Additionally, the dollar index reaped benefits from weaknesses in the Euro and Japanese Yen.

In the midst of a persistently unpredictable economic climate, fine wine prices experienced a decline, although market activity increased following a short summer lull. LVMH reported softer sales growth in the third quarter, showing that the post-pandemic boom in high end goods has lost some of its steam. In the midst of a persistently unpredictable economic climate, fine wine prices experienced a decline, although market activity increased after a short summer lull.

Positive momentum for Italian wine

Regional price performance year-to-date



After several months of stagnation and decline across all regions, August saw positive movement for the Bordeaux Legends 40 index. In September, the Rest of the World 60 (0.2%) and the Italy 100 (0.6%) indices made gains. The majority of the wines in the Italy 100 index rose in value. Whether the positive momentum will return to all regions in Q4, as trading activity picks up, remains to be seen, but the first indications are visible.

The best performing wines in Q3 2023

	Wine	Vintage	Region	Change
1	Bruno Giacosa, Falletto Vigna le Rocche Riserva	2000	Piedmont	32.9%
2	Giacomo Conterno, Barolo Monfortino Riserva	2004	Piedmont	29.9%
3	Château La Conseillante	2013	Bordeaux	23.0%
4	Bartolo Mascarello, Barolo	2016	Piedmont	22.0%
5	Domaine de la Janasse, Châteauneuf-du-Pape Vieilles Vignes	2016	Rhône	21.7%
6	Château Rieussec	2013	Sauternes	19.2%
7	Joseph Drouhin, Marquis de Laguiche Montrachet Grand Cru	2014	Burgundy	19.2%
8	Château Coutet	2010	Barsac	18.2%
9	Fontodi, Flaccianello della Pieve	2017	Tuscany	17.9%
10	Château Climens	2013	Barsac	17.1%

The best-performing wines in Q3 were a diverse mix from Piedmont, Tuscany, Burgundy, Bordeaux and the Rhône. Interestingly, over half of the risers were more than a decade old, showing the potential for price appreciation of more mature vintages.

Like last quarter, sweet wines from Sauternes and Barsac made substantial gains, led by Château Rieussec 2013, up 19.2%. Three wines from Piedmont appeared in the top five: Bruno Giacosa Falletto Vigna le Rocche Riserva 2000, Giacomo Conterno Barolo Monfortino Riserva 2004 and Bartolo Mascarello Barolo 2016. Although the Rhône has been behind all other regions in terms of price performance year-to-date, Domaine de la Janasse Châteauneuf-du-Pape Vieilles Vignes 2016 made the rankings with a 21.7% rise.

Growing investment interest for Champagne 2013

The general declines in fine wine prices created plenty of buying opportunities, which stimulated demand. This was a particularly pertinent theme in Champagne, where the top brands became better value and enjoyed increased interest.

For instance, Dom Pérignon 2013 has been the most traded wine by both value and volume this year. The wine has fallen 7.1% in value since release, in line with the recent reconciliation in Champagne prices. Investors have taken advantage of this opportunity, as the brand's general trajectory has been upwards. Dom Pérignon prices have risen 67% on average in the last five years, and 130% over the last decade.

Another recent release from Champagne has also been firmly in the wine investment spotlight: the latest vintage release from Salon. The 2013 was the first vintage following two unusual releases: the 2012 which the house initially said they would not offer, and the 2008 of which only 8,000 magnum bottles were released (about 1/3 of their normal production). The wine received 99 points from Antonio Galloni (Vinous), who declared it 'the most powerful, dense young Salon I have ever tasted'. In terms of value, the 2013 stands out among other Salon vintages available in the market today. The only higher-scoring wine is the 2008 at nearly twice the price. Other similarly scored back vintages such as the 1996, 1995, and 1990 also come at a significant premium to the 2013.

Similarly, Taittinger Comtes de Champagne Blanc de Blancs 2013 is among the highest-rated releases from the maison in the past decade. With 98 points from Galloni, positioning it on par with the 2008 and 2006, the wine offers value compared to its peers. The correct pricing given the quality of these wines has created opportunities for both investors and collectors.

La Place de Bordeaux campaign failed to navigate market challenges

A successive eleven-month market decline and global economic uncertainties set a challenging stage for the autumn La Place de Bordeaux campaign, with buyer sentiment already dampened by the preceding En Primeur 2022's mixed reception.

Like En Primeur, the 'Beyond Bordeaux' campaign failed to revitalise the market. Despite the market slowdown, many of the new releases were offered at higher prices compared to back vintages, failing to deliver value. This in turn led to lacklustre response from trade and customers, who were further overwhelmed by the fast pace of the campaign. Some days saw over five releases from different regions, offered at various points and with divergent quality and style. In his report for JancisRobinson.com, Tom Parker MW made a cautionary note that 'the styles and regions are diverse, and the stories risk being lost in such a compressed release timetable'.

However, in terms of quality, critics agreed that there were some excellent efforts, with Jane Anson awarding three wines a three wines 100 point scores: Bibi Graetz Colore 2021, Yjar 2019, and Giaconda Chardonnay 2021. La Place newcomer Chappellet's Pritchard Hill Cabernet Sauvignon 2019 also received a near-perfect score of 99 points from the critic.

The best investment opportunities among the new releases, however, were Almaviva 2021 and Masseto 2020, both of which were priced at a premium on last year. Still, the wines offered good value for money in the context of previous vintages. On a brand level, Almaviva has seen 41% average price growth in the last five years, and Masseto – 48%.

The shape of the fine wine market according to the 2023 Liv-ex Classification

The Liv-ex Classification is a ranking of the world's leading fine wine labels, based on their price. The classification takes into account minimum levels of activity and the number of vintages traded over one year to present a more accurate picture of the market today.

Below are four key trends to take note of in 2023.

1 DIVERSIFICATION CONTINUES

Despite fewer wines qualifying due to methodological changes, the fine wine market has diversified further. Argentina and Switzerland made noteworthy entries, while Spain and Chile saw significant increases in represented wines.

2 BORDEAUX'S DIMINISHING DOMINANCE

Once a powerhouse in the fine wine market, Bordeaux now accounts for less than 30% of wines in the classification due to various factors, including mediocre price performance and increasing competition from emerging regions.

3 CHAMPAGNE'S PRICE SURGE

Champagne's prices have seen a remarkable surge. The majority of Champagnes (10) in the classification entered the first tier – wines priced above £3,641 per 12×75. The remaining 12 were split between tier 2 (£1,002-£3,640) and tier 3 (£638-£1,001). There were no Champagnes in tiers 4 and 5 (wines below £1,000 per case).

4 BURGUNDY'S INTERNAL SHIFT

Despite maintaining a consistent overall presence in the rankings, Burgundy witnesses an internal reshuffle. New labels entered the classification, replacing older, less active wines, as buyers continue to search for value and stock within the region.

What to expect in Q4

"The current landscape shows that there are pockets of opportunity across different wines and regions."

Across different sectors and regions, the outlook for Q4 is mixed. Some US experts are cautiously optimistic, noting that the end of the year is usually a strong period for stocks, and expecting that the Federal Reserve will not be raising rates longer.

Meanwhile, European stocks may face new challenges as the European Central Bank keeps rates higher for longer, tightening into a slowdown. Similarly, UK stocks face headwinds from weak sectors even though large-cap UK stocks offer value. China's debt and property woes have worsened, while Australia is a brighter spot, due to the less restrictive nature of the Reserve Bank of Australia's monetary policy.

As a much more stable investment, fine wine is unlikely to witness great levels of volatility. The current landscape shows that there are pockets of opportunity across different wines and regions. Falling prices for high-quality releases where the brand's overall trajectory has been upwards creates value. Such is the case with many Champagne, Italian and Bordeaux wines. These regions generally offer brand security, track record, relative value and greater liquidity. Even in periods of decline, some wines are seeing impressive growth as Q3's top price performers showed.

Moreover, with Christmas around the corner, fine wine demand is likely to pick up. Exciting fine wine releases on the horizon might keep buyers engaged like the 2022 Burgundy vintage, due to be released early next year. Good quality, abundant crop and the market environment might lead to price hikes, though not as steep as in recent years. As was the case with this autumn's La Place de Bordeaux campaign, the first sign of a good investment opportunity is the value on offer.

About us

www.winecap.com/about-us

Our mission is to democratise wine investment, making it more affordable, more transparent and easier to access. With decades of experience navigating the international fine wine market, we offer propositions that translate into maximised profits for our customers. Put simply, we facilitate easy access to wine: a proven, highly desirable asset that has historically delivered stable and substantial returns.

We've built an organisation over the years that elicits trust, partnership and profitability.

We've developed our own, bespoke technology that analyses over 400,000 wine prices a day to identify the right, undervalued wines to buy and sell across the global market at the right time and price. By automating this process, we can pass substantial cost savings on to our customers and don't charge any management fees.

Assuming the role of agent, we analyse our customers' goals and circumstances and then work to source the optimal wines to create a sound, diversified and profitable portfolio. With our longstanding UK alliances, our customers also benefit from the most developed secondary fine wine market in existence. We're excellently positioned to buy well and sell high due to our sister companies in Bordeaux and the US. We have an unparalleled global reach as we are strategically positioned in London: the fine wine market hub.

Whether you're new to the world of wine or a seasoned investor, we work hard to establish a personal relationship with you. Our priority is designing a customised portfolio that meets your objectives, all while ensuring that you retain full and unconditional ownership of your assets. This strategy means we've built an organisation over the years that elicits trust, partnership and profitability. We're proud of the accolades our investors have provided to us regarding the quality and reach of services and we welcome an opportunity to share them with you.

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