

Q4 REPORT

—
2023



WINECAP

Executive summary

Welcome to our **Q4 2023 report**, offering a comprehensive overview of the fine wine market and a forward-looking perspective for 2024. In a landscape marked by correction and repositioning, the following pages delve into the dynamic interplay of market forces, unveiling both challenges and opportunities.



Report highlights

- The fine wine market is navigating 2024 amid a correction phase, presenting a chance for strategic repositioning.
- Fine wine prices (Liv-ex 100 index) experienced a 4.2% decline in Q4, reflective of market adjustments amid global economic uncertainties.
- Increased risk aversion has redirected focus to classic wines and regions, with Bordeaux emerging as a standout beneficiary.
- Bordeaux's resurgence, driven by liquidity and a solid reputation, underscores the market's adaptability to changing dynamics.
- The upcoming high-volume Burgundy and Bordeaux En Primeur campaigns present opportunities for strategic investment, with pricing strategies holding the key to success.
- Investors, seeking value and consistency, anticipate potential opportunities in the evolving landscape.
- As an improving asset in diminishing supply, their emphasis should remain on long-term gains.

The fine wine trends that shaped the market

Challenging global economic context

Global economic growth slowed from 3.5% in 2022 to 3% in 2023, with the [International Monetary Fund \(IMF\)](#) forecasting 2.9% in 2024 – well below the historical average of 3.8% (2000-19). Factors contributing to this slowdown include the ongoing effects of the COVID-19 pandemic, the Russian invasion of Ukraine affecting energy and food prices, and conflicts in Israel and Palestine. Inflation rates are slowly decreasing but core inflation remains high. In response, the [Fed](#) raised interest rates eleven times since July 2022, while the [Bank of England](#) – fourteen times, a theme explored in our report, [2023's Big Investment Themes](#). As a result, interest rates remain at their highest since the 2008 financial crisis. These factors have led to increased financial stress and a cautious and volatile investment environment globally.

Fine wine prices fall in 2023

The fine wine market experienced a downturn in 2023, with the Liv-ex Fine Wine 100 down 14.1% and the broader Liv-ex 1000 index down 13.6%. The downward trend has been consistent throughout the year, with the market failing to replicate the stability it offered in 2022.

Currency fluctuations affected the market, with the US Dollar weakening against Sterling, meaning that prices fell less sharply when seen in dollar terms. In terms of regional performance, Burgundy and Champagne experienced the biggest declines of 16.2% and 18.3% respectively. Italy showed relative stability dipping 6.0% last year but ending the year on a positive note, rising 0.4% in December. Trading dynamics revealed a shift towards well-established brands and high-quality vintages, a behaviour reflecting increased risk aversion typical in bear markets.

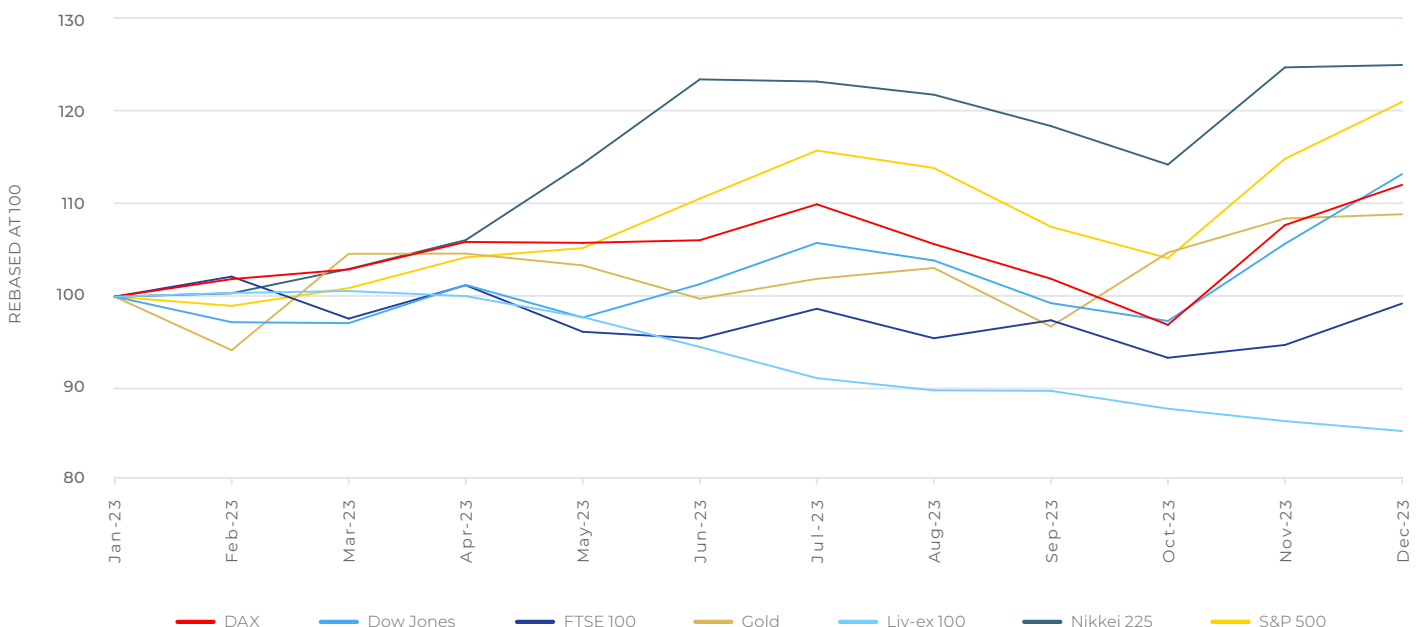
A subdued start to 2024

The fine wine market is entering 2024 in a state of correction and repositioning. First, ongoing price corrections are affecting some brands and regions after their peak. Second, there is market repositioning and shifting demand among investors in a climate of increased risk aversion due to global economic challenges. Globally, collectors have narrowed their focus to more reliable and more attractively priced brands.

Less liquid and thus riskier investments are largely overlooked, while classics such as older Bordeaux vintages are enjoying a rebound. This is in stark contrast to the state of the market in 2021-2022 when it was broadening at a faster pace. For the first time in years, the market is not diversifying – it is proving its role as a safe haven. Until the macroeconomic context improves and interest rates come down, buyers will remain less open to experimentation in the new year.

Fine wine turns bearish in 2023

Fine wine vs mainstream markets and Gold in 2023





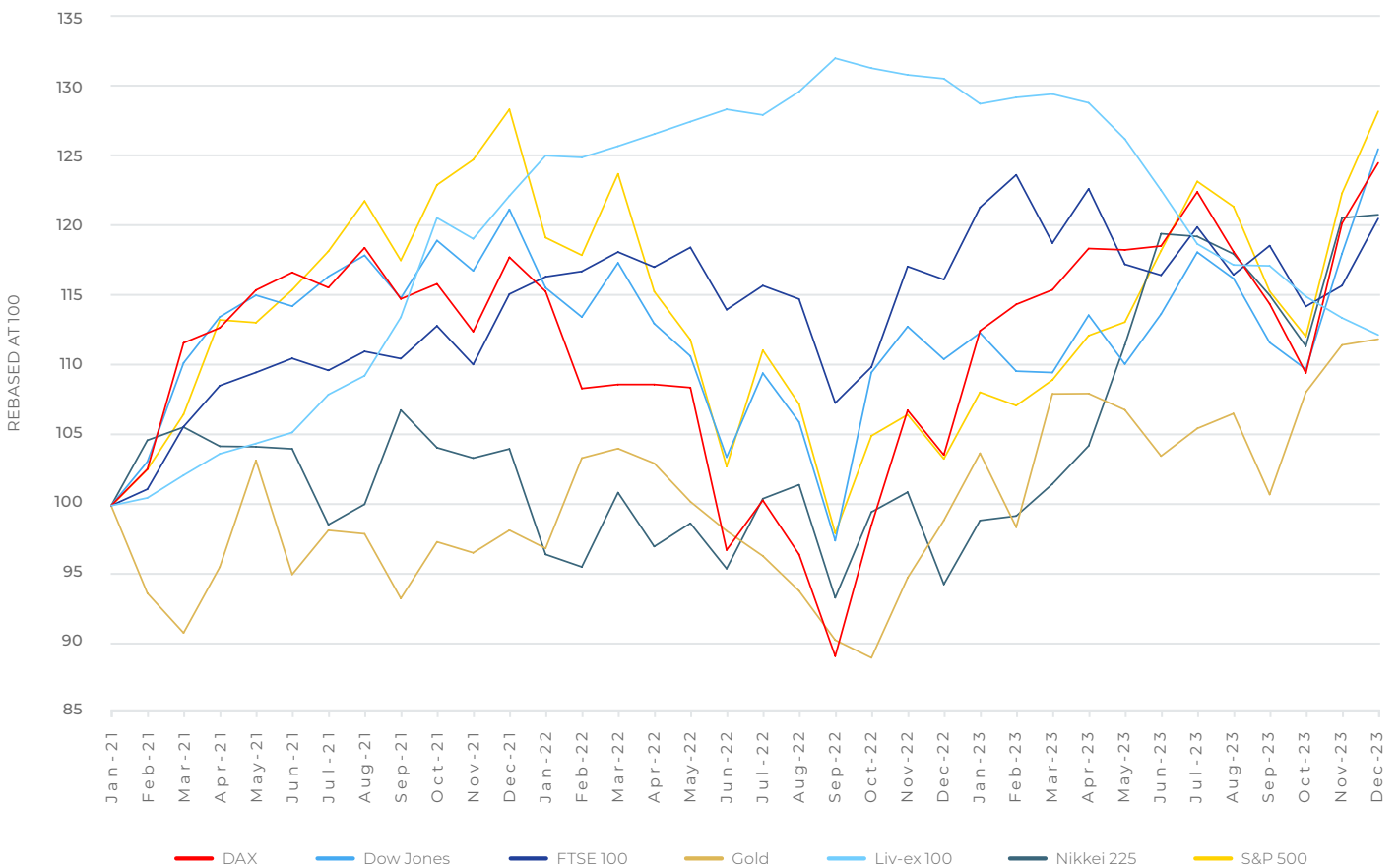
“...fine wine investment should be viewed with a longer lens, extending beyond a single year.”

The decline in the fine wine market becomes more evident when compared to equities and other assets.

In Q4, the Liv-ex 100 index fell an additional 4.2%, resulting in an annual decline of 14.1%. In contrast, financial and stock markets showed positive performance throughout 2023. The S&P 500 rebounded as investors regained confidence in businesses, especially in tech stocks amid global fascination with generative AI.

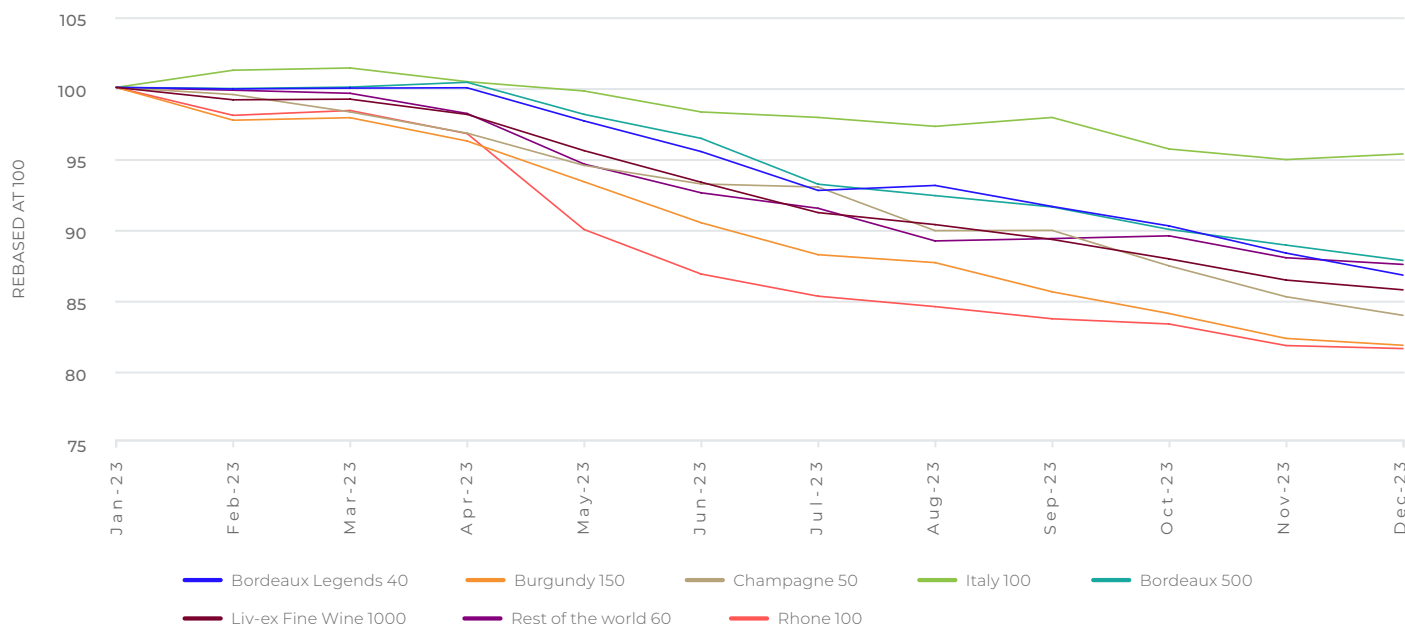
However, fine wine investment should be viewed with a longer lens, extending beyond a single year. Fine wine significantly outperformed mainstream markets in 2021 and 2022, and the bearish trend of 2023 is a sign of a healthy economic cycle, as no market can rise forever. Rather than perceiving the 2023 declines as setbacks, they should be seen as advantageous times for new buyers entering the market who want to take advantage of the mid to long-term returns and stability that fine wine offers.

Fine wine vs mainstream markets and Gold: three years



Italy delivers consistency in 2023

Regional indices performance in 2023



Italy demonstrated relative resilience in the face of the fine wine market’s 2023 downturn, experiencing a more modest decline of 6.0% and rising 0.4% in December. Its performance was supported by leading Piedmont labels, with Giacomo Conterno Barolo Monfortino Riserva 2001 up by 40.1%, and various vintages of Gaja Barbaresco rising between 10% and 20%.

Bordeaux also emerged as a beacon of stability in a risk-averse market, with prices declining less compared to other regions. The Bordeaux 500 index fell 3.7% in Q4 and 11.3% for the entire year of 2023.

The biggest fallers were the stars of 2022 – the Burgundy 150 (-16.2%) and the Champagne 50 (18.3%). The wines that declined the most in value were Krug Vintage Brut 2008 (-36.3%), Louis Roederer Cristal 2012 (-26.7%) and 2013 (-25.6%). Despite these declines, Champagne continued to be highly in demand, a [theme examined last year](#).

2023’s top price performers

Wine	Vintage	Price increase
1 Château Climens	2010	88.0%
2 Giacomo Conterno Barolo Riserva Monfortino	2001	35.8%
3 Château Coutet	2010	31.6%
4 Joseph Drouhin Marquis de Laguiche Montrachet Grand Cru	2017	24.8%
5 Château Palmer	2013	19.0%



Sweet wines from Bordeaux were the surprising revelation of 2023. Often overlooked by investors, they came to lead the charge in 2023, with Château Climens 2010 rising an impressive 88.0%. Meanwhile, Château Coutet 2010 took the third spot, rising 31.6% in value. From Italy, Giacomo Conterno Barolo Monfortino Riserva 2001 increased its value by 35.8%. Its 2004 vintage previously featured in [Q3’s best price performers](#). Likewise, a familiar name from Burgundy made it into the rankings of the top wines this year: Joseph Drouhin Montrachet Grand Cru Marquis de Laguiche with its 2017 vintage, which went up 24.8%. Its 2014 vintage also came up in our Q3 rankings, while its 2018 fell just short of the top five this year. The fifth spot instead went to a Bordeaux classic – Château Palmer 2013 (+19.0%).

Bordeaux's trade share bounces back



Bordeaux is witnessing a significant turn of events. Liv-ex reported that for the first time in a decade, its share of regional trade by value is on the rise, despite the lukewarm reception of its En Primeur 2022 campaign.

A key factor contributing to the resurgence of faith in Bordeaux is the region's liquidity, as well as its reputation as the safest and most well-known wine market. In uncertain times, collectors gravitate towards familiar territories, seeking assurance in Bordeaux's consistent quality and price. The region's bid-to-offer ratio is considerably higher than other major regions traded on the exchange, indicating a steady demand for Bordeaux wines despite broader market fluctuations.

On the other hand, other regions, particularly Burgundy, have experienced a decline in their trade shares. Burgundy's share dropped significantly from 31.2% to 24.0% in 2023. The region, which saw a surge in collector interest in the summer of 2022, leading to a spike in prices, is now facing a cautious market. Collectors are hesitant to pay the high prices of the previous year, especially for newer, less-established brands that have recently gained popularity. As a result, these brands have seen a decline in price performance and trade volume after years of price increases.

Burgundy's market sentiment contrasts sharply with Bordeaux's. Its bid-to-offer ratio is the lowest among the major regions on the exchange, and while prices for Burgundy wines have started to adjust, they haven't reached a level that fully engages buyers. This difference in market dynamics between Bordeaux and Burgundy highlights the shifting preferences and strategies of wine collectors and investors as we enter 2024.



Will Burgundy 2022 En Primeur stimulate demand?

Burgundy's 2022 vintage is being launched following ten months of consistent price declines and waning market sentiment for the region. While its success will depend on pricing, some might argue that it has the potential to turn the tables.

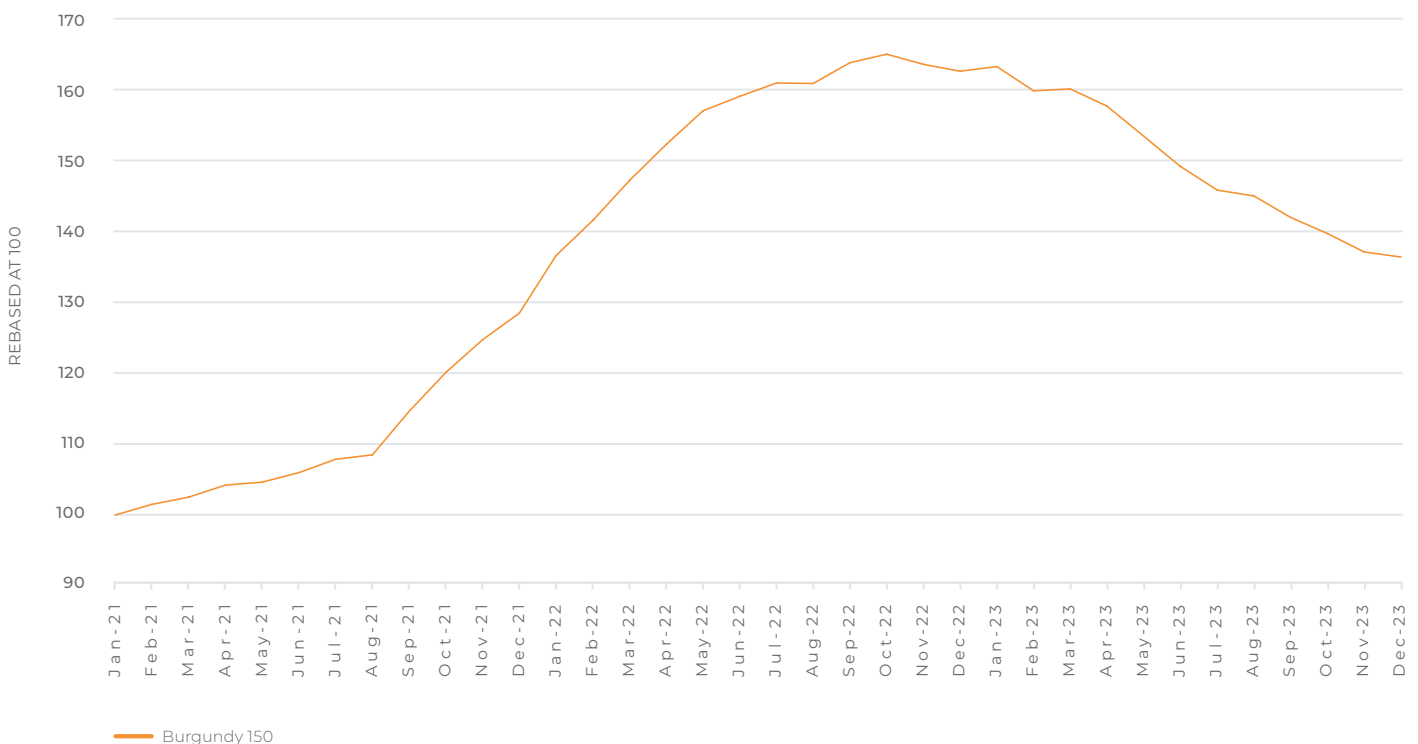
Critic reports thus far have been overwhelmingly positive, applauding both the quality and the quantity of the vintage. 2022 marks the largest crop in 23 years, with some producers seeing double the yields of the previous year.

Despite being the driest, warmest, and sunniest year on record, the vintage produced wines with typicity, purity, and freshness. The vintage is described as excellent for white wines, reminiscent of 2017 and 2020. Tasting notes from Côte de Beaune and Côte de Nuits highlighted dense red wines with well-integrated tannins, simultaneously offering elegance and concentration. Overall, the wines are expected to be approachable in youth but with significant ageing potential.

In terms of pricing, declines are not expected, but the rate of ascent may not be as steep as in recent years. Will the excitement of the new be enough to stimulate a dormant market?



Liv-ex Burgundy 150 index over three years



Why fine wine is the ultimate sustainable alternative asset

Fine wine is increasingly recognized as a sustainable alternative asset, offering several benefits that align with modern environmental, social, and governance (ESG) criteria. In our report, published in three parts, we examined why fine wine can be considered the ultimate sustainable alternative asset.

Adapting to climate change

The fine wine industry is proactively adapting to climate change. In 2023, the USA faced 23 separate billion-dollar climate disasters. The fine wine industry's response to these challenges, by adapting to climate change and supporting affected communities, demonstrates its commitment to sustainability.

Practices like regenerative farming and reducing bottle weight not only mitigate environmental impacts but also contribute to the industry's sustainability. Some producers are reducing the weight of their bottles, significantly cutting carbon emissions, while the use of recycled glass and biodegradable labels further enhance sustainability. Fine wine's focus on social sustainability, including worker welfare and community support, further boosts its appeal as a sustainable investment choice. Efforts to improve the lives of harvest workers and provide stable employment contracts are notable examples.

Sustainable investment trends

Investors are increasingly seeking sustainable investments. A 2023 Harvard study found that 85% of investors inquire about sustainable options, with millennials actively using their influence as shareholders to drive change. The growth of sustainable investing, which increased by 55% between 2016 and 2020 in several regions, highlights this trend.

Fine wine and ESG criteria

Traditionally, alcohol has been excluded from most ESG funds due to historical beliefs. However, fine wine's environmental and social sustainability merits reconsideration. The industry's efforts in climate change mitigation, adaptation, and protection of biodiversity align with the EU's criteria for environmentally sustainable investments.

And beyond its environmental benefits, fine wine offers strategic advantages for investors. It can provide a hedge against inflation and volatility, especially when combined with other sustainable investments like green bonds. Fine wine's unique properties, including its natural production process and potential for long-term value appreciation, make it an attractive addition to a diversified portfolio for sustainable investors.





What to expect in 2024

The fine wine market in 2024 is poised for a year of strategic shifts and cautious optimism. Collectors and investors are expected to prioritise value and consistent performance, turning their attention to more reliable players in the industry. Regions like Tuscany and Bordeaux are anticipated to benefit from this trend, likely experiencing increased demand and price appreciation. Buyers might also turn their attention to high quality 2019 releases from Piedmont, which might positively influence the value of other recent vintages from the region.

It will be interesting to see if the upcoming Burgundy and Bordeaux En Primeur campaigns will manage to stimulate the market. Their success hinges on pricing strategies; if new releases are priced too high in a downward market, even high-quality offerings will struggle to attract buyers. The introduction of high-yielding vintages poses a further challenge in terms of

market absorption. With a growing stockpile of wines, the market is at a crossroads, putting continued pressure on prices.

Indeed, the first few months of 2024 are expected to maintain price pressures, creating new opportunities in the market. Wines that were in high demand in 2023, such as [Salon](#) and [Dom Pérignon](#), have seen short-term price decreases. However, their long-term trajectory suggests that these dips may present advantageous buying opportunities.

In the realm of fine wine investment, the emphasis remains on long-term gains. Despite yearly market fluctuations, fine wine is seen as an improving asset with diminishing supply, underscoring its resilience and sustained demand. Even with potential regional focus shifts, the confidence in fine wine as a high-demand commodity remains unshaken.

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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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