

# Q1 REPORT

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2022



WINECAP



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### EXECUTIVE SUMMARY

Welcome to our first quarterly report, analysing the trends that shaped the fine wine market in the beginning of the year. This report examines how the global situation has impacted fine wine's performance and the regions and producers to follow. Key findings include:

- **The fine wine market was keenly poised in the beginning of the year after a record-breaking 2021.**
- **Major fine wine indices continued to rise amid global economic and political uncertainty, outperforming traditional assets.**
- **Burgundy emerged as the best-performing region, bolstered by a strong 2020 En Primeur campaign.**
- **Bordeaux's trade share continued to decline due to growing competition from other regions.**
- **Champagne and California are enjoying a new wave of investment interest.**

### The Fine Wine Trends that Shaped the Market

The fine wine market looked keenly poised in the beginning of the year after a record-breaking 2021. Fine wine prices had reached all-time highs, surpassing their decade-old peaks and outperforming mainstream assets. Demand was stronger than ever as the investment market for fine wine expanded beyond classic regions and labels. Diversity was the underlying force that helped sustain its steady ascent despite macro-economic headwinds and the ongoing Covid-19 pandemic.

But halfway through the first quarter, fresh challenges emerged. Slowing GDP growth, rising inflation and Russia's invasion of Ukraine sparked turmoil in mainstream markets. Thanks to its low correlation to equities and low volatility, fine wine maintained its upward movement and once again proved itself a safe haven for investors. The gains made in February, however, were smaller than those in previous months.

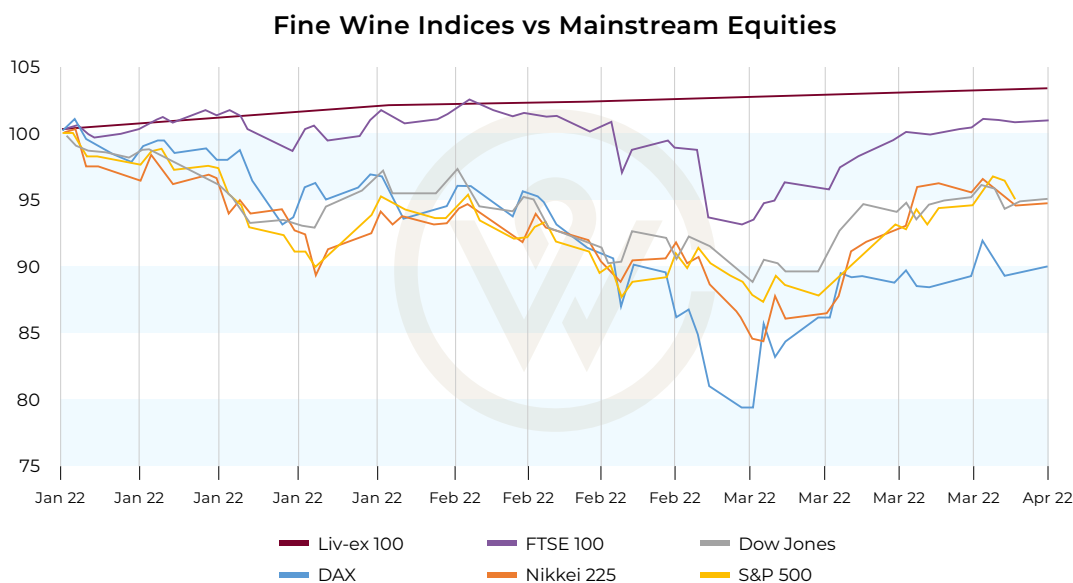
Burgundy emerged as the best-performing region, its index rising 14.6% this past quarter. Its performance was supported by a strong 2020 vintage campaign, as the new releases were met with insatiable buying appetite despite spiralling prices across both the primary and secondary markets. Meanwhile, Chinese New Year, which fell on the 1st of February, stimulated demand for the last Bordeaux 'tiger' vintage – 2010. The high-quality vintage, which was offered at record-breaking prices just as the Bordeaux market had started to turn in mid-2011, presented attractive buying opportunities, with ready-to-drink wines available around their release prices.

The first quarter was marked by other anticipated wine releases, such as the 98 point Sassicaia 2019, which immediately moved the market. The wine, released at £1,990 per case, has since seen its value rise 30%. One of the best-rated vintages of Yquem over the last two decades, the 2019, was also offered in March as part of the estate's new release programme. Among the last releases this quarter was the first Chinese wine on La Place de Bordeaux – Ao Yun 2018.

Critics made moves too. Lisa Perrotti-Brown MW, who left her position as an Editor-in-Chief at The Wine Advocate, launched The Wine Independent with the Swedish photojournalist Johan Berglund in January. Their first report focussed on Promontory and included 100 point scores for its 2016 and 2018 vintages. The critical spotlight also fell on Bordeaux's 2018 vintage, following the annual Southwold tasting, and 2019, with in-bottle scores from Jancis Robinson, Neal Martin and Wine Spectator. From Burgundy, Domaine de la Romanée-Conti's 2019 Romanée-Conti received one of Martin's rare 100 points.

Judging by the first quarter, 2022 is set to be an exciting year, abound with opportunities for fine wine. The ever-decreasing supply of the most sought-after wines is pushing up prices but also leading to a market expansion, as buyers seek value and (re)discover regions, new and old. The perceived stability of fine wine is providing protection in an environment of rising costs and inflation and is bringing more investors to the most delectable of markets.

### Fine Wine Resists Global Market Turmoil



		Current value	MoM	YTD	1yr	2yr	5yr
Liv-ex Fine Wine 100	<span style="color: darkred;">—●—</span>	404.02	0.7%	2.9%	23.2%	35.0%	32.8%
FTSE 100	<span style="color: purple;">—●—</span>	7,547.42	7.8%	2.2%	11.7%	38.4%	3.0%
S&P 500	<span style="color: yellow;">—●—</span>	4,549.65	5.1%	-4.7%	13.8%	79.8%	95.5%
Nikkei 225	<span style="color: orange;">—●—</span>	27,736.47	6.7%	-3.7%	-7.3%	55.3%	47.1%
DAX	<span style="color: blue;">—●—</span>	14,518.16	10.9%	-8.6%	-4.4%	51.7%	17.1%
DOW JONES INDUSTRIAL	<span style="color: grey;">—●—</span>	34,921.88	3.9%	-3.9%	5.0%	65.4%	67.8%

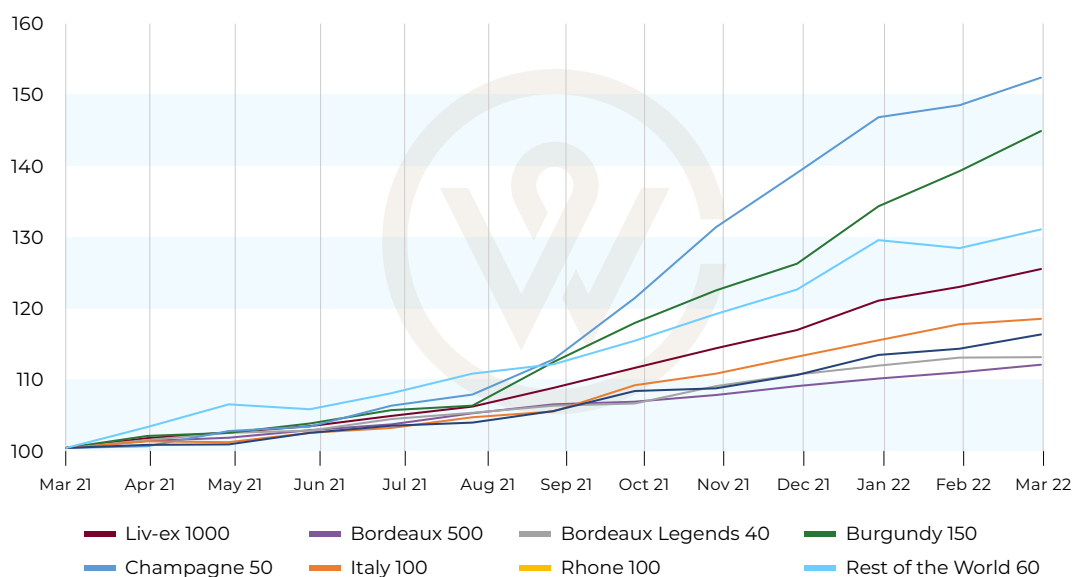
Market confidence was strong at the beginning of the year as fine wine continued to attract more investors all over the world. Its exposure reached record levels, bolstered by keen demand for luxury assets and high trading volumes.

The market experienced only small signs of retreat when numerous headwinds hit mainstream assets. Russia's invasion of Ukraine cast a pall in Europe, where the impact on fuel and energy prices was more immediately and keenly felt.

But fine wine was in a good place to largely resist the fears. The major fine wine indices maintained their upward trajectory, with 2.9% gains for the Liv-ex 100, which outperformed traditional stocks in the first quarter.

### Burgundy Delivers Standout Performance Following Successful En Primeur Campaign

Regional Indices' Performance Over One Year



		Current value	MoM	YTD	1yr	2yr	5yr
Liv-ex Fine Wine 1000		455.22	2.0%	7.3%	24.7%	34.4%	48.4%
Liv-ex Bordeaux 500		363.9	1.0%	2.7%	11.5%	21.2%	21.6%
Bordeaux Legends 40		442.51	0.1%	2.2%	12.5%	22.6%	26.0%
Burgundy 150		810.96	4.0%	14.6%	43.8%	55.1%	112.4%
Champagne 50		658.01	2.6%	9.6%	51.2%	70.3%	92.9%
Rhone 100		239.86	1.7%	5.1%	15.7%	27.2%	32.7%
Italy 100		384.36	0.6%	4.7%	17.8%	28.9%	50.4%
Rest of the World 60		372.87	2.1%	6.8%	30.2%	31.4%	42.1%

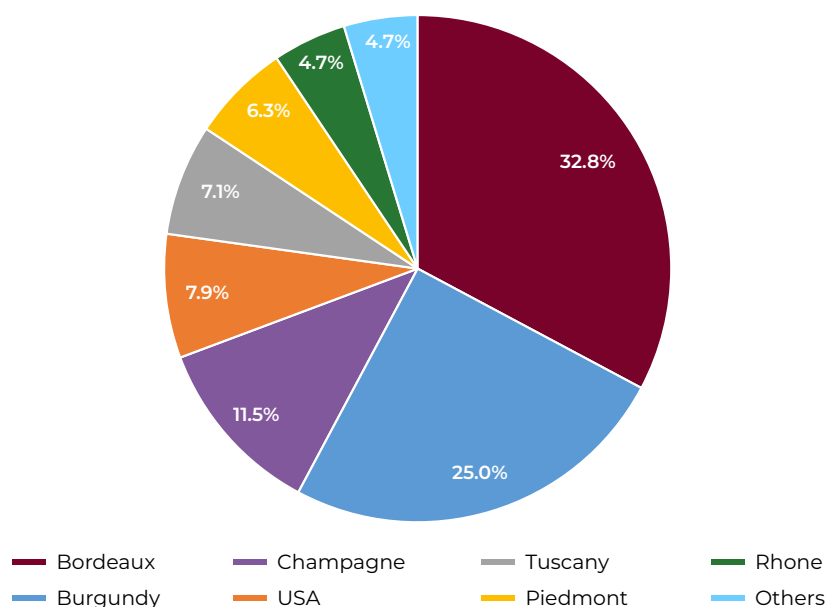
Burgundy emerged as the best-performing region, delivering 14.6% returns. Its performance was boosted by a successful 2020 En Primeur campaign. The high quality but tightly allocated new releases enhanced demand for older vintages, readily available in the market, thus pushing prices up. Buyers continued to seek value and stock within its appellations and Burgundy remains the most in-demand region this year, judging by the number of wines attracting trade.

The second-best performer was Champagne, which led the broader market in 2021. The relative affordability and its unparalleled distribution have contributed to 51.2% price hikes in the past year. The Champagne 50 index is up 9.6% so far in 2022.

Bordeaux continued to lag behind the others in the first quarter, with the Bordeaux 500 index rising just 2.7%. The region is nonetheless likely to enjoy renewed interest as the trade directs its attention to the annual 2021 En Primeur campaign this spring.

### Bordeaux's Decline Leads it to Account for a Third of the Market by Value

Regional Trade Share by Value in Q1



Bordeaux's share of the total market has been gradually declining since its Asia-driven peak in 2010 (96%). Year-to-date, the region has cornered less than a third of the value traded (32.1%), followed closely by Burgundy (25.4%).

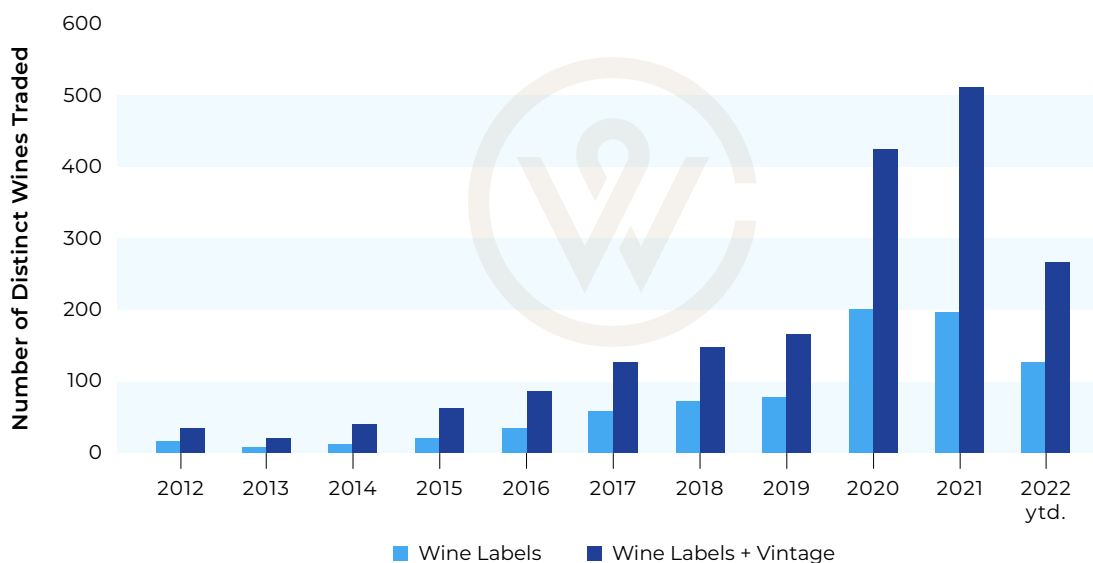
The market has broadened considerably beyond France. Italy has made a revolution in recent years, with wines from Puglia, Umbria and Sicily unveiling their investment potential. Yet the main drivers behind its growth have been Tuscany and Piedmont, which have taken 7.3% and 6.4% of the market this quarter.

At 4.6%, wines from the 'Rest of the World' are enjoying increased investment interest. Australia, Germany and Spain are the most important players, but Austria and Chile are also proving as reliable sources of fine wines that can appreciate in value.

The market's most recent revelation has been the USA. Driven by California, USA has become the fourth most traded region year-to-date, after Bordeaux, Burgundy and Champagne.

### The Rapid Rise of Californian Fine Wine

#### More California Wines Are Attracting Investment Interest



In just three months, the number of Californian wines that have attracted investment interest is halfway through the record level achieved in 2021. Last year, 197 different wine labels and 504 distinct wines changed hands. The growth in brands trading has outpaced that of other regions which have also been on the move, such as Italy and Australia.

A string of good vintages in the past decade, high critic scores and an expanded distribution network have led to increased trade and spiralling prices. California has helped elevate USA's trade share from just 0.1% to 7.3% over the past decade and early signs suggest its secondary market success will be an ongoing theme throughout 2022.

## Vintage Champagne Dominates the Best-Performing Wines this Quarter

### Top-Performing Wines in Q1

Wine	MoM	YTD
Domaine Leflaive, Bienvenues-Batard-Montrachet Grand Cru, 2018	0.7%	46.1%
Domaine Armand Rousseau, Chambertin-Clos de Beze Grand Cru, 2018	0.5%	38.5%
Bartolo Mascarello, Barolo, 2016	9.7%	18.2%
Domaine Jean Louis Chave, Hermitage, Rouge, 2017	15.7%	15.1%
Krug, Vintage Brut, 2008	1.3%	14.0%
Louis Roederer, Cristal, 2013	-2.4%	13.2%
Dom Perignon, 2008	-1.2%	12.1%
Bollinger, La Grande Annee, 2012	1.2%	12.1%
Petrus, Pomerol, 2010	0.0%	10.8%
Screaming Eagle, Cabernet Sauvignon, Oakville, 2016	10.4%	10.5%

The two regions that ruled the roost in 2021 continued to deliver impressive performances in the first quarter. Burgundy topped the best-performing wines, while vintage Champagne dominated the rankings.

The 2018 Leflaive Bienvenues-Batard-Montrachet and Armand Rousseau Chambertin-Clos de Beze went up 46.1% and 38.5% respectively. The gains made by top Champagne were smaller in comparison, between 12% and 14%.

Wines from Barolo, the Rhône, Bordeaux and California also entered the top ten, highlighting the importance of a diversified portfolio.

## Bubbling Trade

### The Most Traded Wines by Value in Q1

Wine	Vintage	Current Market Price per 12x75cl case
Louis Roederer Cristal	2008	£3,480
Dom Perignon	2012	£1,708
Screaming Eagle Sauvignon Blanc	2018	£54,940
Louis Roederer Cristal	2014	£2,198
Louis Roederer Cristal	2013	£1,979

The start of the year was all about bubbles. Champagne did not only dominate the list of wines on the rise, but the region took four out of the five spots of the most traded wines this quarter. Louis Roederer's Cristal itself filled three of these, with vintages 2008, 2013 and 2014.

The exception to the fizz-filled quarter was a Californian Sauvignon Blanc – Screaming Eagle 2018, which has a Market Price of £54,940 per 12x75cl case.

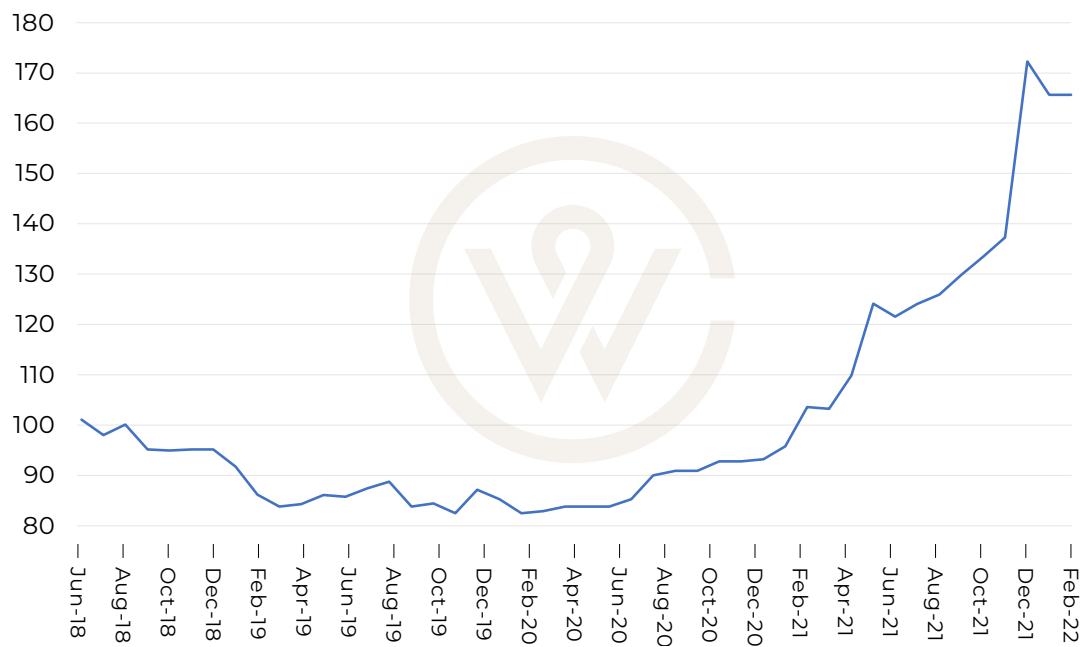
### Wines that Break Records

As fine wine prices continue to rise and global demand increases, some labels have broken previous trading records.

At the end of January, two Château Mouton Rothschild vintages – 2012 and 2014 – set all-time trading highs. Château Angélys 2010 also sold at a record price of £3,575 per case.

The most in-demand wine this quarter – Cristal 2008 – has enjoyed consistent activity at record-breaking levels, especially for big bottle formats. The wine peaked at the end of January, when an Imperial (6L) bottle sold for over £6,000.

Louis Roederer Cristal 2008



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## A Look Ahead to Q2

The steady growth of the fine wine market is helping it brave the current headwinds despite global unease. Clients buying in different currencies are able to take advantage of the volatility and put their money into the stability offered by fine wine.

Due to the continued broadening, they have plenty of investment options – from blue-chip Bordeaux and new releases, through to less traditional but increasingly sought-after German, Californian and Italian wines.

In the coming months, the global trade will direct its attention towards the annual En Primeur campaign for the 2021 Bordeaux vintage. International trade fairs, like Vinitaly, ProWein and London Wine Fair, will resume in person after two years of Covid-19 restrictions.

The appetite for fine wine and the positive market sentiment are thus likely to continue, as the trade enters another busy quarter.



WINECAP

T. +44 (0)207 060 7500

14 AUSTIN FRIARS LONDON EC2N 2HE WINECAP.COM

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