

Fine Wine Market Report

**Q3 2023
INVESTMENT
UPDATE**

**CRU
WINE**



2023 | OCTOBER

CRU WINE LIMITED

What has affected the global markets in Q3?

MAINSTREAM MARKET UNCERTAINTY CONTINUES

After strong gains for shares in the first half of 2023, global equities posted a negative return in Q3. Government bonds also declined in the quarter, with yields rising.

Commodities were a notable outperformer, with energy gaining amid oil production cuts from Saudi Arabia and Russia. Base interest rates in both the US, EU and the UK were increased by 25 basis points in the quarter.

Despite a significant rise in oil prices, there was better news on the inflation front, with year-on-year core measures easing across most economies. This allowed many major central banks to indicate a pause on further rate hikes, however elevated interest rates are expected to remain for the near to mid-term.

Gold has also lost its shine, meaning that only oil and gas, the dollar and cash have proved reliably profitable.

Sterling dropped 3.8% vs the Dollar in Q3 due to the flat-lining domestic economy and the Bank of England's decision to hold interest rates at 5.25% in September.

As we highlighted in our [Q2 report](#), a weak Sterling is good for the fine wine market. The decline happened in September so has yet to be fully priced in and will be a tail wind for the fine wine market going into Q4.

FINE WINE INDICES CONTINUE SLOW DECLINE BUT TRADE INCREASES IN SEPTEMBER

The two wine investment benchmarks, the Liv-ex Fine Wine 100 and Liv-ex Fine Wine 1000 showed -4.5% and -3.9% performance in the quarter. The broader index, the Liv-ex 1000 showed slowing declines in both August and September down 1.0% and 0.8% respectively.

September saw an increase in trade by both volume and value on the Liv-ex exchange as investors and merchants are encouraged back into the market, driven by lower prices and good supply.

As Warren Buffet famously said, "Be fearful when others are greedy and be greedy when others are fearful."

We are seeing signs that the deceleration in the market is starting to ease and may be approaching the bottom of the market. We will look at how to profit from the current market conditions in our Q4 outlook.

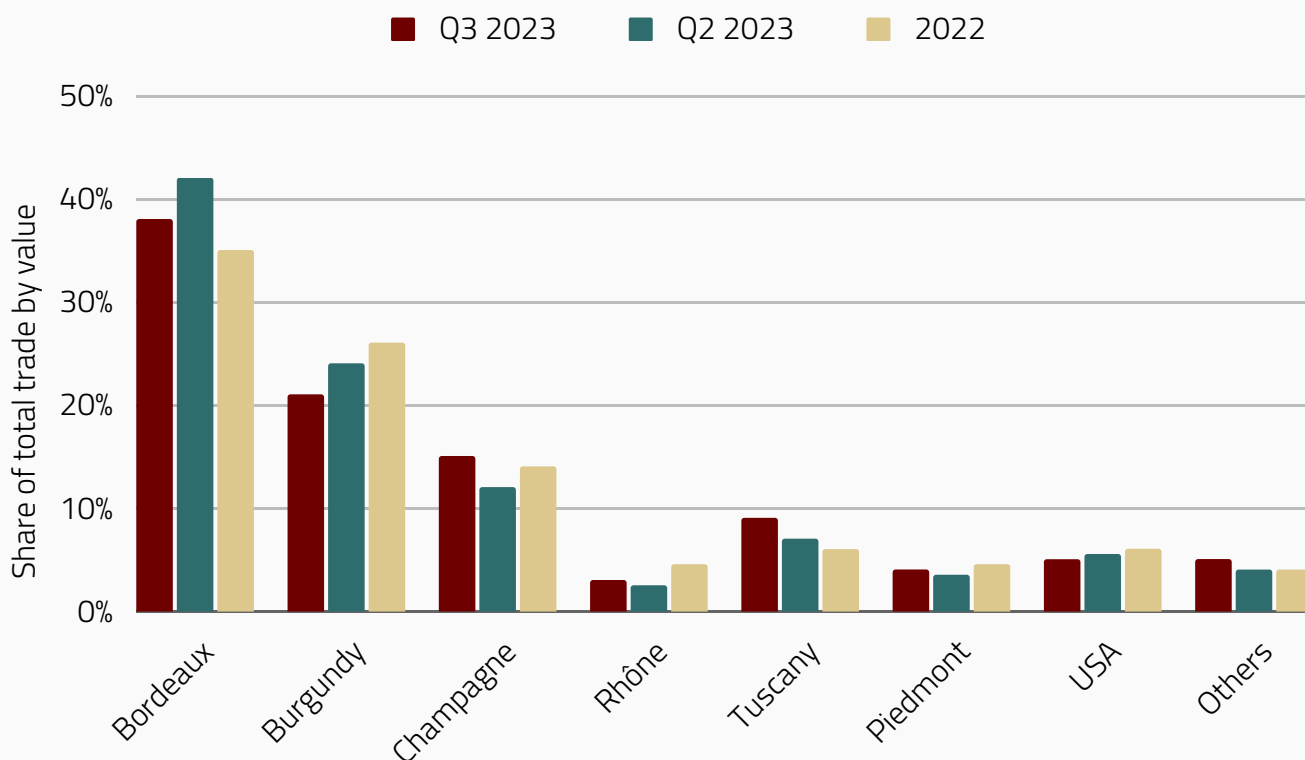
| Regional Price Performance | | | |
|----------------------------|-------|--------|--------|
| Index | Q3 | 1 Year | 5 Year |
| Liv-ex 100 | -4.6% | -11.3% | 19% |
| Liv-ex 1000 | -4.1% | -11.2% | 19.3% |
| Bordeaux 500 | -4.5% | -8.2% | 6.7% |
| Bordeaux Legends 40 | -3.7% | -7.5% | 5.5% |
| Burgundy 150 | -4.8% | -13.4% | 42.5% |
| Champagne 50 | -3.1% | -15.6% | 58% |
| Rhone 100 | -3.2% | -21.4% | 2.9% |
| Italy 100 | 0% | -3.6% | 34.5% |
| Rest of the World 60 | -3.1% | -13.8% | 7.8% |

Q3 Trading Overview

Q3 demand for Champagne, Rhone, Tuscany, Piedmont and Others increased in Q3. Bordeaux demand was down quarter-on-quarter following the 2022 En Primeur EP campaign, however US demand for Bordeaux wines outstripped European demand due to the favourable FX conditions. We continue to see profit taking in Burgundy following its strong 2021/2022 performance. This has created some very interesting buying opportunities for its top producers.

Breakdown of Quarterly Trade by %

Source: Liv-ex.com



The top traded wines by volume in Q3 were from Champagne and Tuscany. One of our top picks in the Q2 report, [Fattoria Saffredi](#) was second most traded wine in Q3, with fellow Super Tuscan Sassicaia in the top five. On vintage Bordeaux occupies the next two spots including Beychevelle, another top pick from last quarter's report.

| Top Traded Wines by Volume Q3 2023 | | | |
|--|-----------|---------|------------------------|
| Wine | Region | Vintage | Market Price (12*75cl) |
| Dom Pérignon | Champagne | 2013 | £1,700 |
| Fattoria le Pupille, Toscana Saffredi | Tuscany | 2020 | £611 |
| Taittinger, Comtes de Champagne, Blanc de Blancs | Champagne | 2012 | £1,280 |
| Louis Roederer, Cristal | Champagne | 2015 | £2,136 |
| Tenuta San Guido, Bolgheri Sassicaia | Tuscany | 2019 | £2,639 |
| Château Pontet-Canet, Pauillac | Bordeaux | 2018 | £1,020 |
| Château Beychevelle, Saint-Julien | Bordeaux | 2020 | £816 |

Source: Liv-ex.com



Key Investment Regions:

BORDEAUX

Bordeaux historically has had the lowest price volatility of any of the wine investment regions, however if we look at returns and volatility over a one-year time horizon, Italy has outperformed all other wine investment regions.

The recent correction in Bordeaux, driven by both macro conditions and a 2022 En Primeur campaign, characterised by increased pricing, has seen the two main Bordeaux indexes, trade down 4.5% and 3.7% in Q3 respectively. This dip in the market has created buying opportunities for the long-term investor. Using statistical analysis, we have highlighted which wines of Bordeaux show the strongest investment potential.



ITALY

As we highlighted in our [Q2 report](#), Italian wines outperform in difficult macro conditions. The combination of historically high Sharpe ratio (risk adjusted returns) and defensive characteristics has meant the Italy 100 index has outperformed all other wine investment regions in Q3. The Italy 100 index was flat on the quarter, outperforming the Liv-Ex 1000 benchmark by 4.1%.



In September we saw the Italy 100 Index up 0.6% with 40/48 Tuscan wines and 35/40 Piedmont wines which comprise the index showing flat to positive returns. We expect the Italy 100 index to outperform again in Q4 and into next year. As previously stated, a portfolio comprising of the best vintages of the two main Italian regions is a must for any diversified wine investment portfolio.

Key Investment Regions: Champagne

Q3 showed signs that the Champagne market is starting to normalise. Despite trading flat in both July and September, August proved a tricky month for the fizzy beverage, trading down 3%. Despite August's weakness, Champagne still outperformed the Liv-Ex 1000 benchmark by 1% in the quarter. September saw 30 of the 50 Champagnes which constituted the Champagne 50 Index increase month-on-month.

Champagne enjoyed popularity during the third quarter, which can partly be attributed to the region's lower market prices as the Champagne 50 Index has fallen 16% from its peak in October 2022. Indeed, [Dom Pérignon 2013](#) maintained its position as the top-traded wine both in terms of volume and value throughout Q3 and year-to-date. The new releases from Cristal and Taittinger also occupy top seven positions by wines traded by value. The strong trading volumes show despite the recent market correction, demand for the region is still strong. We document this further in [our latest Champagne report](#).

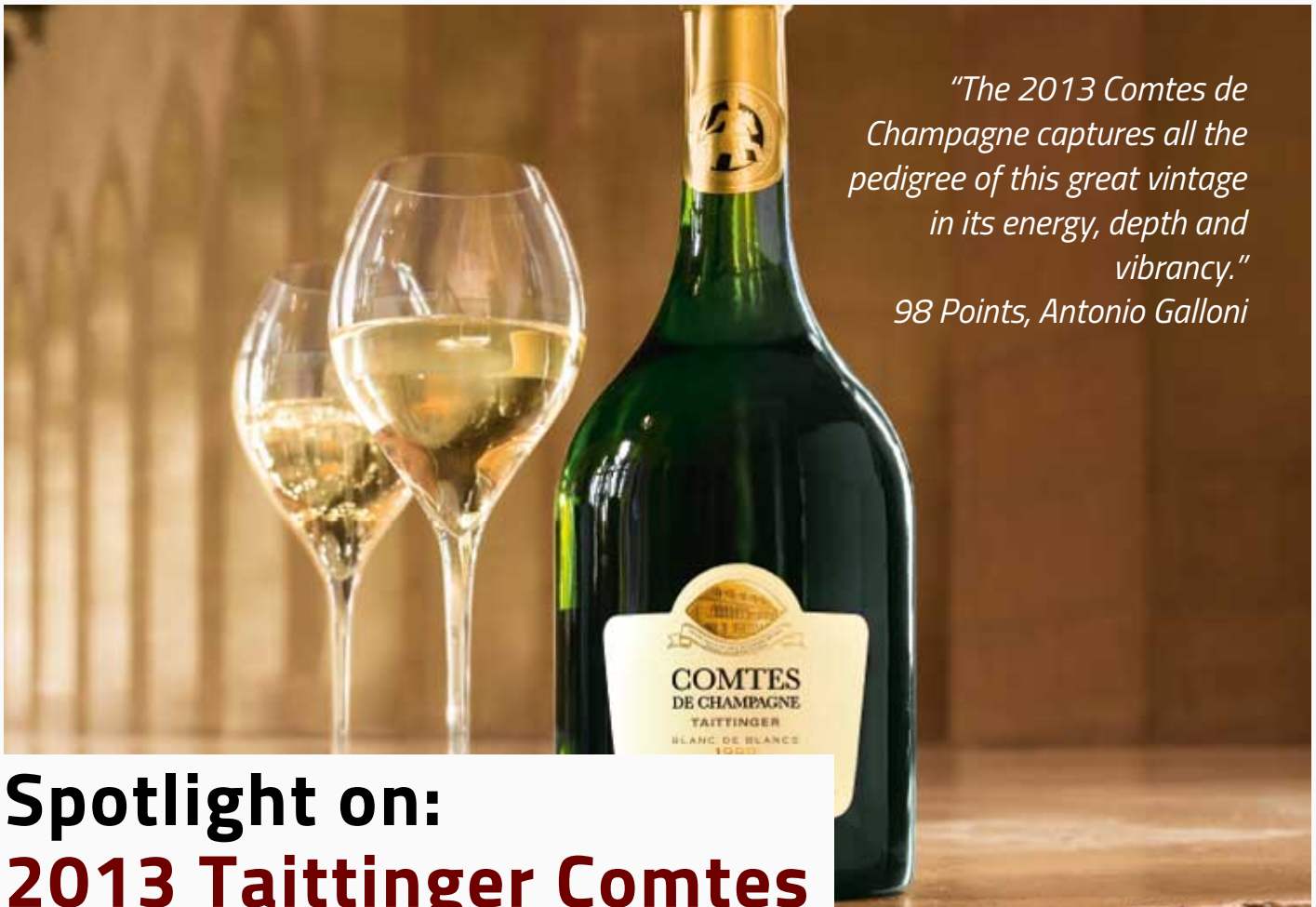
[The LVMH Q3 report](#) also backs the strength of the underlying Champagne market, producing 2% organic growth for 9M 2023 vs 9M 2022. Similar to the Q2 report, growth was driven by Europe and Japan with earnings boosted by a firm price increase policy. This again highlights fine wine's ability to outperform in high inflationary macro environments.

Initial reports from the 2023 Champagne harvest indicate high humidity in August, which triggered both grey and sour rot outbreaks. For the top Champagne producers, the rotten grapes will be sorted reducing supply of the top wines, however the quality of the vintage has been compared to top vintages of 2002 and 1985.

| Top Traded Wines by Value Q3 2023 | | | |
|--|-----------|---------|------------------------|
| Wine | Region | Vintage | Market Price (12*75cl) |
| Dom Pérignon | Champagne | 2013 | £1,700 |
| Louis Roederer, Cristal | Champagne | 2015 | £2,136 |
| Tenuta San Guido, Bolgheri Sassicaia | Tuscany | 2019 | £2,639 |
| Petrus, Pomerol | Bordeaux | 2020 | £54,046 |
| Louis Roederer, Cristal | Champagne | 2008 | £2,900 |
| Rare, Millésime Rosé | Champagne | 2014 | £2,444 |
| Taittinger, Comtes de Champagne, Blanc de Blancs | Champagne | 2012 | £1,280 |

Source: Liv-ex.com





*"The 2013 Comtes de Champagne captures all the pedigree of this great vintage in its energy, depth and vibrancy."
98 Points, Antonio Galloni*

Spotlight on: 2013 Taittinger Comtes de Champagne

BRAND

The 2013 Taittinger Comtes de Champagne is a prestige cuvée Blanc de Blancs made entirely from Chardonnay grapes sourced from the best Grand Cru vineyards in the prestigious Côte des Blancs region. Comtes de Champagne is only released in exceptional vintages. Taittinger is third most traded wine in terms of both value and volume on the Liv-ex only behind considerably more expensive cuvée's Dom Perignon and Cristal, showing the brands potential.

SUPPLY

Of the five million bottles Taittinger release annually, only 150-300,000 bottles of Comtes de Champagne are produced, making it one of the more exclusive, prestige cuvées in Champagne.

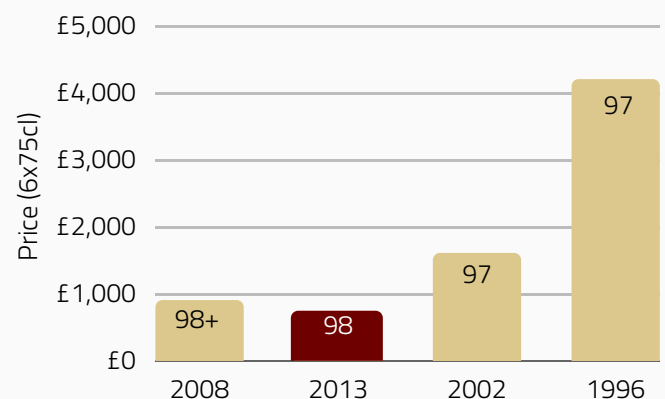
VINTAGE

Wine Advocate has recognised the 2013 vintage as outstanding in Champagne with only the 2008, 2002 and 1996 vintages achieving a

higher rating over the last 25 years.

BACK VINTAGE PERFORMANCE

If we compare the 2013 Comtes de Champagne to comparable back vintages of Outstanding recommendation from Wine Advocate, we can see the performance potential.



INVESTMENT CASE

- Strong investment fundamentals of Brand, Supply, Critic Score and Vintage quality
- Excellent price performance of comparable back vintages.



Q4 Outlook

What we expect:

Macro conditions will continue to influence the fine wine market.

The Bank of England have indicated that interest rates will remain high for the foreseeable future, with forecasters not expecting any rate cuts until Spring 2024 at the earliest, as policy makers try to balance inflation targets and economic growth.

Dollar strength looks set to continue as global conflicts encourage investors to remain in "safe haven" asset classes. US buyers were particularly active in Q3, accounting for 32.3% of trade on the Liv-Ex due to the stronger dollar. Flight to safety investing and a strong dollar will provide support for fine wine into Q4.

In Q3 and particularly September, the market experienced a slower decline than what had been observed earlier in the year. Although it is too early to call the bottom of the market, we are seeing buyers re-enter the market encouraged by lower pricing and increasing supply of rare fine wines.

Often investors purchase when markets are buoyant, however the best returns are obtained when buying during the dips. Selectivity buying month-on-month removes the need for precise market timing, as investors reduce their cost average by taking advantage of reduced secondary market pricing. This patient strategy allows investors to maximise their returns over the mid to long term over multiple market cycles.

The fine wine market fundamentals remain intact, driven by the premiumisation effect, the increase in demand from both retail and institutional investors and an increase in the global number of UHNWI.

Fine wine continues to show low correlation to traditional asset classes, making it an excellent diversification tool for all investors with a mid to long term time horizon.



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'Making collecting transparent, effortless and available to all.'

vision to cultivate and enrich the fine wine buying, collecting and drinking experience through a straight-forward platform.

Now comprising of a team of sommeliers, engineers, financial advisors and more, over the past 10 years, we've built a platform where we wish to pass on our vast knowledge to our clients. We have created a space which gives you the ability to navigate the market, plus make informed decisions on your fine wine investment and collecting journey.

Since our first day we have prioritised our digital offering, ensuring we use the best technology to make your fine wine collecting experience as seamless and transparent as possible.

Our mission is to combine our teams' knowledge and our state-of-the-art technology to create a straightforward and engaging platform where fine wine is transparent, effortless, and available to all.

ABOUT US

Here at Cru Wine, we believe fine wine is for everyone.

For too long, fine wine was seen as a mysterious market, one that was only tangible to an elite few. As a young company, we wanted to challenge this and redefine how someone can both access and learn about fine wine. So, we set out to do things differently.

Our journey began in 2013 when our founder Gregory Swartberg established Cru Wine with a

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