



BACCHUS VINTNERS



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Investing in wine suggests a certain touch of class

It seems decadent to spend hundreds of pounds on a case of wine you don't even intend to drink. But don't dismiss wine investment as the preserve of the well-heeled - the good news is you don't have to be rich to buy wine.

The global demand for fine wine, which is produced in very small quantities, has increased enormously over the last two decades. Wine can, and often has, outperformed property, gold and the stock market, offering significant returns without the volatility.

Wine can also benefit from an exemption from Capital Gains and Income Tax.

As with all commodities, the rules of wine investment are simple: "price is determined by supply and demand", and "buy low, and sell high".

As a wine matures, bottles are consumed, the wine becomes rarer, and if it's desirable, its price rises.



Which wines make the best investments?

Just as your first stock market investments are likely to be FTSE 100 companies, your first wine investments should be Bordeaux because they have a history of increasing in value and are limited in supply.

The French wine regulatory system is renowned throughout the world as being the oldest, most established, and comprehensive set of wine regulations in existence. The system is known as "Appellation Controlee" and regulates the maximum amount of wine produced by each Chateau each year. Thus supply of the best vintages is strictly controlled. For example, Le Pin releases just 600 cases a year.

There are, on average, only three vintages of investment quality in a decade. This strictly limited production pushes prices high.

How do I know which châteaux to invest in?

Bordeaux represents 90% of the wine investment market and should take the lion's share in any portfolio.

Historically the best performers for wine investments are the top 30 châteaux in Bordeaux. The 1855 classification, where the wines are divided into five 'cru' or growths is the best guide when making your selection.

The top Left Bank Classified Growths represent some of the bluest of Blue Chip wines. So look for First Growth clarets like Latour, Lafite, Margaux and Haut Brion. The Super Seconds (a select number of Second Growths) are also a good source of investment potential. On the Right Bank, the most sought after names include Cheval Blanc, Petrus, Le Pin and Ausone.

How do I know which vintages to invest in?

The practice of assigning 'scores' has had an extraordinary effect on the wine market. They enable potential investors and traders to take a position and affect the market without necessarily knowing anything about the wine. And because, unlike tasting notes, they can be understood universally, they can guide potential wine buyers all over the world.



Well known wine writers and many others score wine. The prototype is that used by the American writer Robert Parker who did much to promote the practice of awarding scores as points out of 100, modeled on the American high school system.

Robert Parker is the most influential wine critic in the world. He has a profound effect both on prices and market demand for fine wines around the world. The most influential impact of Parker's writing is his 100-point ranking system. The scale ranks wine on a scale from 50 to 100 points, on color and appearance, aroma and bouquet, flavor and finish, and overall quality level or potential. His 100 point ratings and florid tasting notes define wine criticism, and are a major contributor to the prices for newly-released Bordeaux wine.

Robert Parker's influence on fine wine prices cannot be overstated. As one observer once noted, "When Robert Parker spits, the world listens". Historically the wines that Robert Parker gives high scores to, particularly scores over 90 points, tend to be the wines that show the biggest increase in value. Many Bordeaux producers now wait for Parker's ratings before setting the release price of their wines.

How do I store my wine portfolio?

No matter how good the wine or how great its maturing potential, if stored incorrectly it will never realize its full potential. You may think that a cool spot in the garage or the back of the basement is ideal, but in reality very few locations possess the features suitable for storing wines.

With Bacchus Vintners, every client has his own private account at London City Bond - a professional wine storage facility and one of the leading bonded warehouses in the U.K.

Wine is held 'offshore' in a bonded or tax warehouse so that duty and any local taxes are not applicable.



Storage at London City Bond is charged at £10.80 + VAT per case per year or part thereof.

London City Bond insure all stock entrusted to their care to its full replacement cost.

You are issued with a certificate of ownership which contains a rotation number which is unique to yourself and identifies the wine as yours and its location in the warehouse.

What are my exit routes?

Those who invest in wine need to sell it at some point to reap a profit. Bacchus Vintners can arrange the sale of your wine to a third-party at a pre-arranged price. Another way people choose to offload their portfolios is through an auction.

Wine under bond can be auctioned without it leaving the warehouse so that the seller takes his or her profit tax-free. Alternatively, many choose to auction off their own cellars, as Andrew Lloyd Webber did in the 1990s.

Wine is a readily and easily realizable asset, and also an internationally traded commodity. It can be sold at the open market price at any time without penalty for the investor. There is worldwide interest in vintage wine with a ready market, not susceptible to the normal fluctuations experienced by stock markets and interest rates.

Why do I not pay tax on my profits?

You do not usually have to pay income or capital-gains tax (CGT) on any profits. Wine is exempt from CGT because it is regarded by the Inland Revenue as a "wasting asset" with a predicted lifespan of less than 50 years.

The wine will form part of your estate for Inheritance Tax (IHT) purposes. The Revenue practice for IHT purposes has been to value wine at acquisition cost, not current value.

Wine can be left to beneficiaries per the instructions contained in your Will.

Bacchus Vintners advise speaking to an accountant or tax advisor.

What returns can I expect from wine?

Fine wines over the last 30 years have appreciated by more than 15% per annum.

At present the expected return on an investment portfolio is in the region of 15% per annum over a five year period.

One of the golden rules of wine investment is to buy the greatest wines from the greatest vintages - such wines should, under present market conditions, experience an increase in price of between 50-100% before they reach full financial and physical maturity. The crème de la crème from any top vintage may increase by considerably more than this.



The best vintages have always out-performed the rest. The best Bordeaux vintages of the last 25 years are: 1982, 1986, 1989, 1990, 1996, 2000 and 2005.

The 1982 vintage is described as 'exceptional' throughout Bordeaux and is the vintage of the 1980s. Over the period June 2001 to June 2006 prices have increased by as much as 123% in the case of Ch. Lafite (the lowest growth rate is Ch. Margaux at 58%).

Why should I invest with Bacchus Vintners?

Bacchus Vintners are an independent company without links to any wine producers so all our recommendations are unbiased.

You are not investing in Bacchus Vintners as a commercial organization your money is invested in the physical asset - the wine itself. You will have your own private account at London City Bond.

You will have access to London City Bond's own website through a personal login and password allowing you to monitor the arrival of the wine into your account.

This means only YOU have physical access to your wine since you are the single and legal owner.

Bacchus Vintners will assist you with a full comprehensive service from selecting the wines, helping set up your private account at London City Bond, all delivery and transport costs, examination of the wine upon arrival and issue of certificates. Plus an annual report on the performance of your portfolio and a quarterly newsletter on the world of wine.

Bacchus Vintners charge NO commission on the sale of your portfolio. All your profits are yours to keep.

Bacchus was the Roman god of wine, intoxication and good cheer.



The Tale of Bacchus

Bacchus was the son of the Roman god Jupiter and the mortal Semele. Jupiter's wife Juno brought about the death of Semele whereupon Jupiter took the child from Semele's womb and sewed it into his thigh, from where it was born. Thus a strange beginning was to lead to even stranger tales, passed down through generations of dramatists, poets, story-tellers and historians to become today mere myths from a long-ago world.

But Bacchus is best remembered for his gift to humanity of wine. As the Roman god of wine and intoxication he represents not only the intoxicating power of wine, but its social and beneficent influences likewise, so that he is viewed as the promoter of civilization, and a lawgiver and lover of peace.