

Q4 REPORT

—
2022



WINECAP

Executive Summary

Welcome to our Q4 2022 report, which examines the final quarter of what has been a dynamic year for fine wine investment.

The report also provides a summary of the last twelve months and a look ahead to 2023, accounting for the macroeconomic environment and core factors such as inflation, currency moves, new fine wine releases, supply, and levels of demand.

The following pages further explore how fine wine has fared against other markets and reveal how investment interest has shifted over the course of the year, including the regions that have gathered momentum and the most sought-after and best-performing wines.

Report highlights

- The fine wine market remained bullish in the face of severe headwinds, which only started to impact its performance in the final quarter.
- Fine wine outperformed US and UK stock markets and gold in 2022, thanks to a strong first half of the year.
- Burgundy and Champagne emerged as the most in-demand regions, with the biggest price gains seen at their top end.
- The 162nd Hospices de Beaune wine auction in November set a new record, raising €31 million, highlighting ongoing market sentiment for Burgundy. Collectors can expect a small high-quality 2021 vintage released En Primeur this January.
- Major critics announced their 'wines of the year' in Q4, enhancing market demand. An 'affordable' Californian topped the influential Wine Spectator list.
- Dom Pérignon and Louis Roederer Cristal were among the most sought-after wines in 2022.



The fine wine trends that shaped the market

Macroeconomic headwinds

After two tumultuous years defined by Covid-19 lockdowns and disruptions, 2022 started with high hopes for the global economy that failed to materialise. The war in Ukraine brought new set of obstacles, unveiling profound humanitarian and economic issues. The immediate effect was spiking prices for gold, crude oil, natural gas, and food, while stock markets shuddered. The record high inflation that outpaced predictions was followed by a series of aggressive rate hikes, which contributed to increased currency volatility. Meanwhile, China's strict zero-Covid policy further complicated the global economic recovery, rather driving the world to the brink of recession.

Fine wine shows remarkable resilience

Fine wine showed remarkable resilience given the severity of these headwinds. In the first half of the year, fine wine prices continued their steady ascent, whereas US equities dipped into bear markets. In Q3, sterling weakness gave a boon to the market, yet signs of slowdown became discernible. Fine wine prices drifted in the final quarter. The Liv-ex 100 dipped 1.1%, and the Liv-ex 1000 – 0.9%. The star of the year, Champagne, suffered the most. However, the region's trade share reached a new annual high, accounting for 13.6% of the total secondary market trade. High-end vintage Champagne and rare Burgundies were the most sought-after wines in 2022.

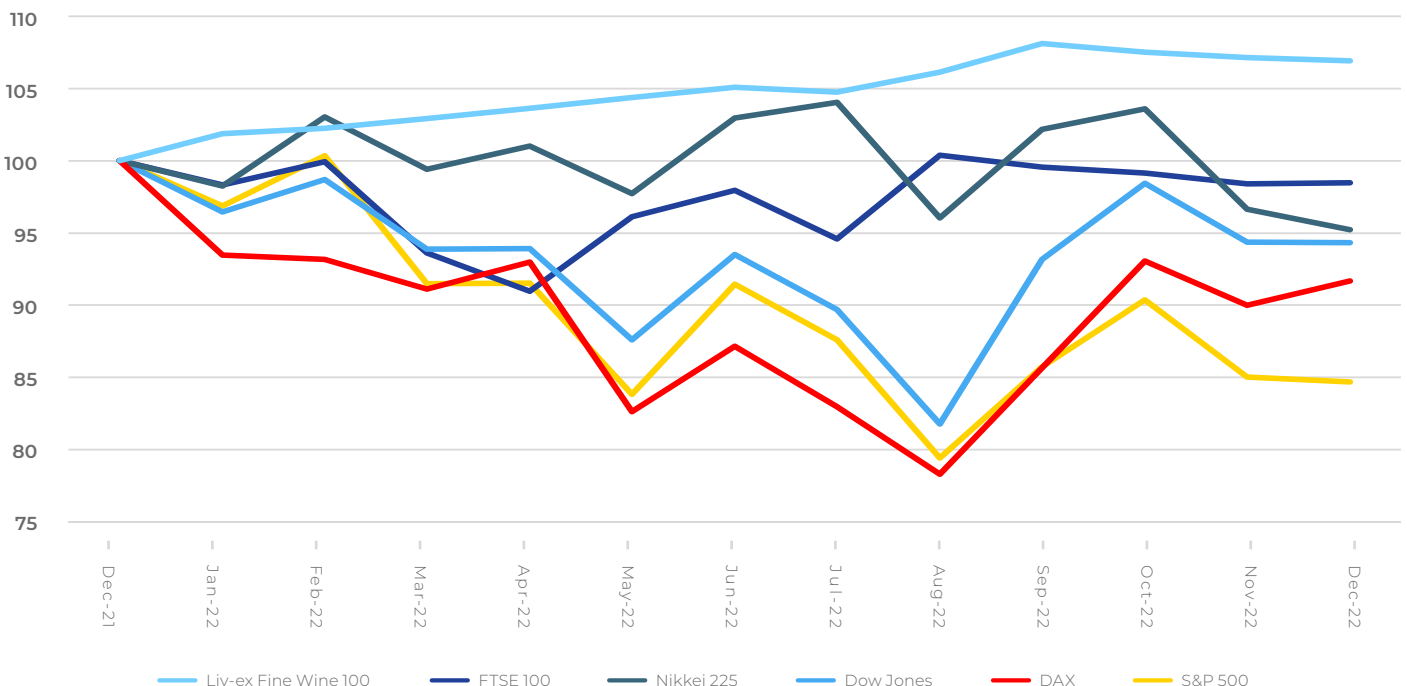


Shifting landscape

While fine wine had a better year than equities and bonds, the market has been slowing its pace. Peaking prices and reduced volumes – but not across all regions – might lead to changing demand. Shifts are to be expected in 2023, as the market enters a period of correction. Rare Burgundies and blue-chip Bordeaux remain a strongly desirable investment, but grower Champagne, the Rhône, Italy and California might be other regions to watch in the year ahead.

Fine wine weathers a perfect storm

Liv-ex 100 Index vs mainstream equities



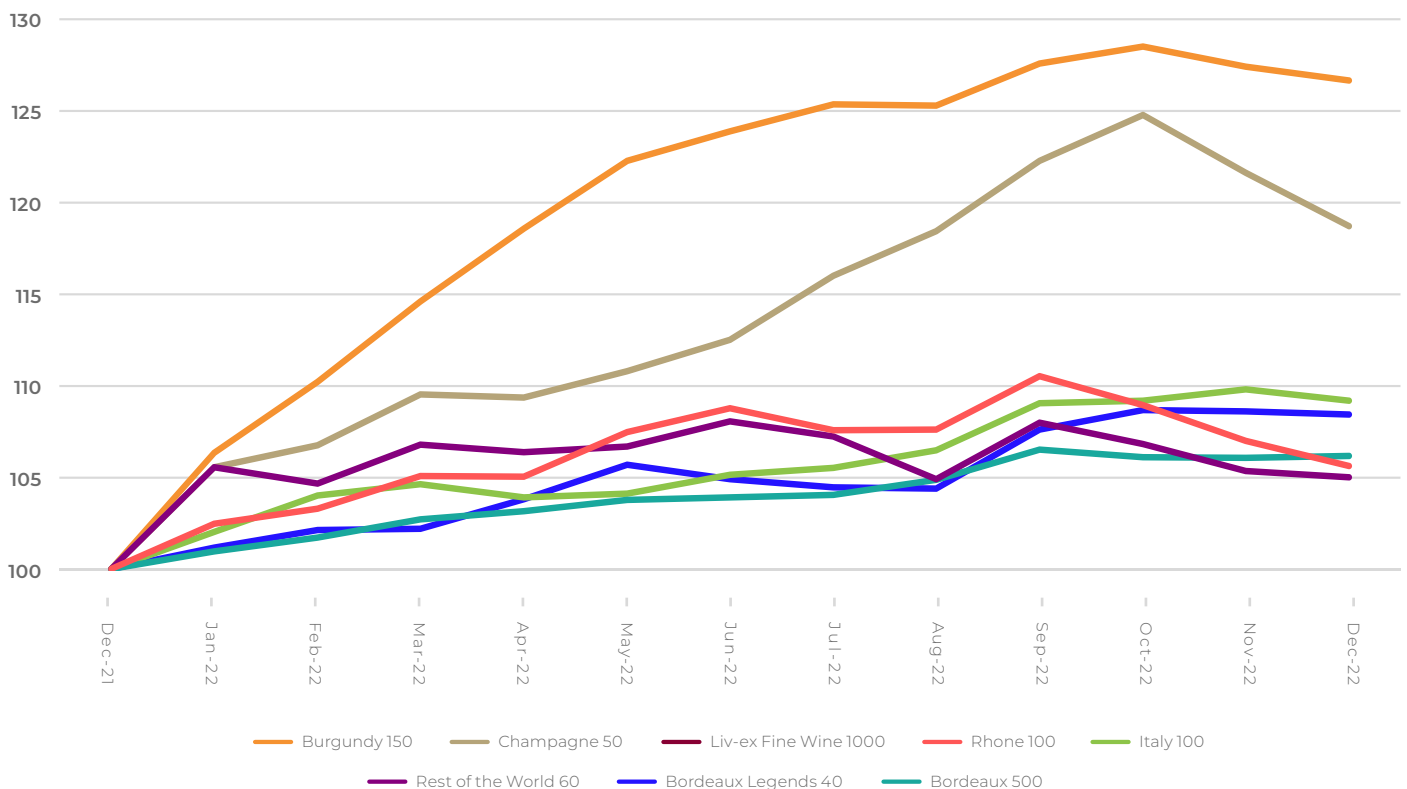
2022 brought a perfect storm of pandemic, war, inflation, climate change and unsteady politics, which led mainstream markets to spiral downwards. The tumultuous environment tested the stability of fine wine as an investment asset. But fine wine did not experience any of the volatility that affected equities, bonds and currency. For instance, the UK government's mini-budget announcement, which rocked markets and led the pound to hit an all-time low against the dollar in late September, barely affected wine prices.

Despite the challenges, fine wine investors had the opportunity not just to preserve their wealth but to enhance it last year. All major fine wine indices rose in 2022. The Liv-ex 100 and Liv-ex 1000 indices hit new highs, driven by strong performances of top Burgundy and vintage Champagne.

Fine wine slowed its gains in the final quarter, with the Liv-ex Fine Wine 100 index down 1.1% and the Liv-ex 1000 index – 0.9%. The best-performing wines came from Tuscany and Bordeaux.

Champagne slows its pace in Q4

Liv-ex regional indices' performance year-to-date



The Liv-ex 1000 index rose just 0.2% in October, driven by the Champagne 50 index, up 2.1%. This marked the fifth consecutive month in which Champagne was the best-performing fine wine region. However, in the last two months of the year, Champagne prices drifted 4.9%.

In November, only the Italy 100 index rose (0.6%), thanks to the Tuscans **Soldera Case Basse Sangiovese 2009** and **Masseto 2013**. In December, the Bordeaux 500 was the only sub-index on the up (0.1%), driven by strong performances from the 2011 vintage.

The slowdown in the final quarter of the year had limited impact on fine wine's overall performance in 2022. Prices across all regions finished the year at new annual highs. The best performer was Burgundy, up 26.7%, followed by Champagne, up 18.7%.

According to Reuters, 2022 was the second-highest year for Champagne sales, with 331 million bottles, and a record year for turnover.

The most sought-after wines in 2022

The Wine-Searcher rankings of the most wanted wines highlight the growing appetite for Champagne.

Dom Pérignon and Louis Roederer Cristal consistently came up as the most in-demand Champagne brands in our previous quarterly reports. They have enjoyed the trading spotlight along with the Bordeaux First Growths, the Super Tuscans and California's 'cult wines' – a trend likely to continue into 2023.

While the fine wine market is getting broader, with more options at different price points available than ever before, the most sought-after wines in 2022 reveal tighter focus on brand buying.



The most wanted wines on Wine Searcher

Wine	Region
1 Dom Pérignon, Brut Champagne	France
2 Château Mouton Rothschild, Pauillac	France
3 Petrus, Pomerol	France
4 Château Lafite Rothschild, Pauillac	France
5 Tenuta San Guido Sassicaia Bolgheri, Tuscany	Italy
6 Château Margaux, Margaux	France
7 Opus One, Napa Valley	USA
8 Château Latour, Pauillac	France
9 Louis Roederer Cristal Millesime, Brut Champagne	France
10 Château d'Yquem, Sauternes	France

Top traded wines by value on Liv-ex in 2022

Wine	Region	Vintage
1 Louis Roederer, Cristal	Champagne	2008
2 Louis Roederer, Cristal	Champagne	2014
3 Dom Pérignon	Champagne	2012
4 Château Lafite Rothschild	Bordeaux	2018
5 Château Mouton Rothschild	Bordeaux	2000
6 Screaming Eagle, Cabernet Sauvignon	California	2019
7 Tenuta San Guido, Sassicaia	Tuscany	2019
8 Dom Pérignon	Champagne	2008
9 Domaine Leflaive, Montrachet Grand Cru	Burgundy	2003
10 Château Lafite Rothschild, Carruades de Lafite	Bordeaux	2009

The most wanted First Growth, Château Mouton Rothschild, unveils new label

Château Mouton Rothschild, which was the most wanted Bordeaux wine according to Wine-Searcher, unveiled the label of its 2020 vintage on December 1st. The artwork, which pays 'homage to the people who work in the vineyard and pick the grapes', was designed by the Scottish artist Peter Doig. The 2020 vintage has since enjoyed increased demand, selling at higher prices. Since release, the wine is up 19%.

This is no new phenomenon. Previous Mouton vintages have also enjoyed increased demand from collectors upon the revelation of their artistic label. To this day, the 2000 is one of the most popular and highly collectible bottles of Mouton Rothschild. The wine was released in a limited-edition bottle adorned with a treasure from the Museum of Wine in Art at Mouton: the little 'Augsburg Ram', a silver-gilt drinking vessel created around 1590 by Jakob Schenauer, a German master goldsmith. Mouton 2000 has risen 1,260% in value since release.



Ceuvre inédite de

Peter Doig



The best performing wines in 2022

Wine	Vintage	Region	Growth
1 Domaine Leflaive, Batard-Montrachet Grand Cru	2014	Burgundy	101.1%
2 Domaine Bonneau du Martray, Corton-Charlemagne Grand Cru	2012	Burgundy	94.2%
3 Domaine Armand Rousseau, Chambertin Grand Cru	2013	Burgundy	92.9%
4 Perrier-Jouët Belle Epoque	2012	Champagne	77.8%
5 Domaine de la Romanee-Conti, Grands Echezeaux Grand Cru	2008	Burgundy	77.7%
6 Domaine de la Romanee-Conti, Richebourg Grand Cru	2016	Burgundy	73.7%
7 Dominus, Napa Valley	2011	California	67.1%
8 Domaine Georges Roumier, Bonnes Mares Grand Cru	2014	Burgundy	64.8%
9 Salon, Le Mesnil-sur-Oger Grand Cru	2007	Champagne	57.4%
10 Domaine de la Romanee-Conti, Romanee-Saint-Vivant Grand Cru, Marey-Monge	2016	Burgundy	52.4%



Burgundy dominated the list of the best performing wines in 2022, with seven labels featuring in the top ten. The biggest riser was **Domaine Leflaive Batard-Montrachet Grand Cru 2014**, up 101.1%. White Burgundy has been subject to greater price increases, partly due to low stock availability and high investment appetite.

Champagne, which has been the second-best performing region in 2022, featured with two labels: Perrier Jouet Belle Epoque 2012 (77.8%) and Salon Le Mesnil-sur-Oger Grand Cru 2007 (57.4%). Antonio Galloni (Vinous) called the latter 'a dark horse Salon that keeps getting better with time'.

One wine from California also made the rankings, Dominus 2011, with an increase of 67.1%.



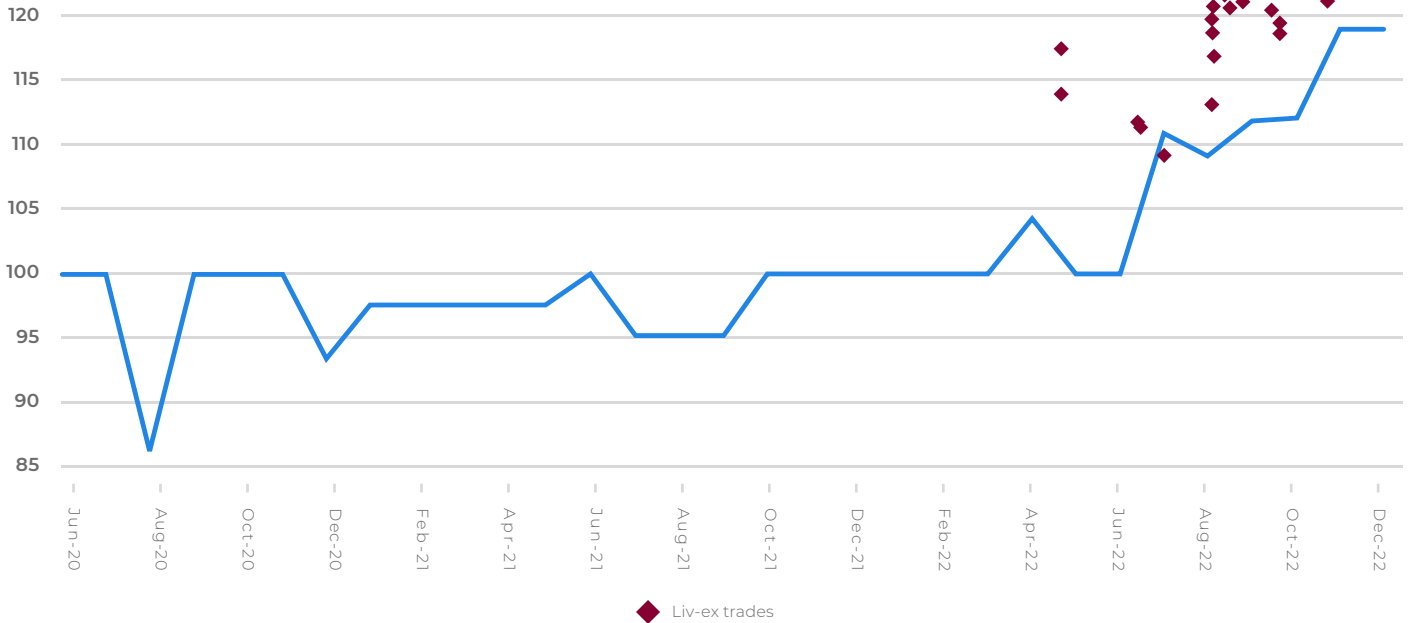
Top critic choices break pricing records

At the end of each year, major critics release rankings of their favourite wines.

In November, American magazine *Wine Spectator* named Schrader Cellars Cabernet Sauvignon Double Diamond 2019 its wine number one. They found it represented 'an emphatic answer to the Napa Cabernet value question, punching above its weight while costing well below the triple-digit entry point for top-flight Napa Cabernet Sauvignon.'

The publication awarded their fourth spot to Château Talbot 2019, which sparked a flurry of activity. The wine has since set a new trading high at £584 per 12x75, up 47% on its release price.

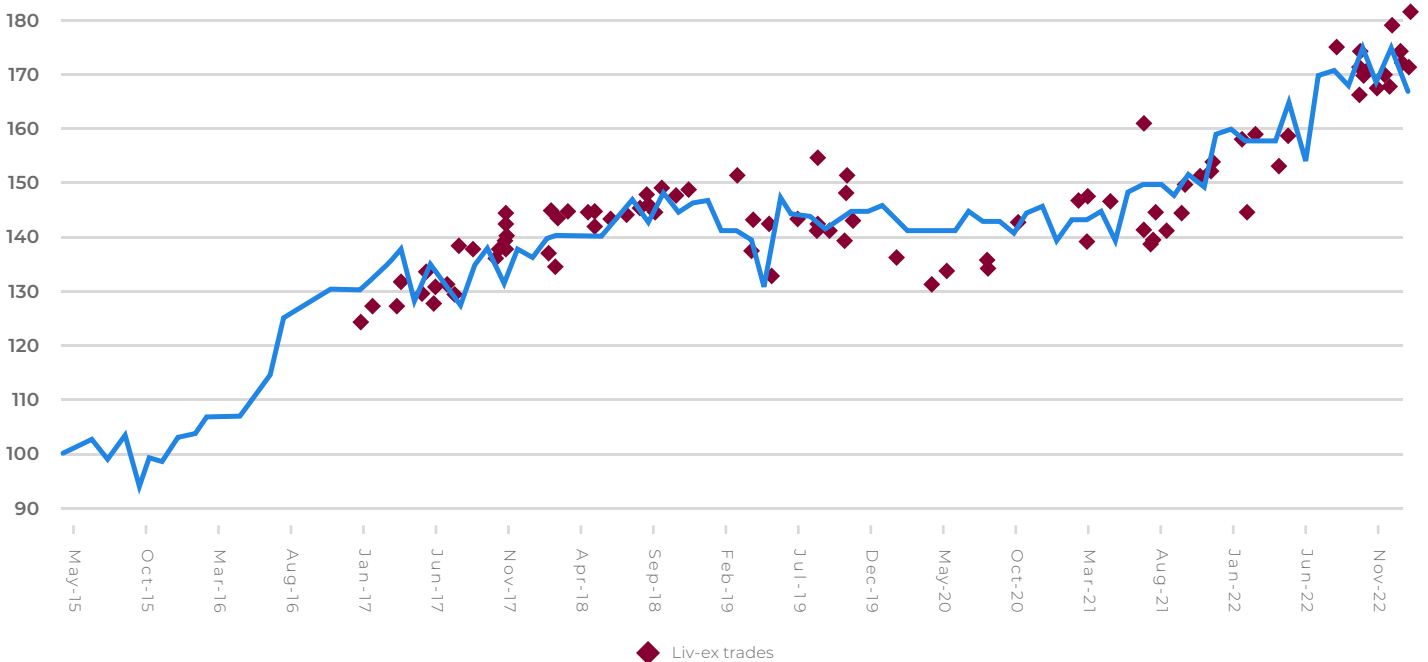
Talbot 2019 performance since release



James Suckling also chose a Californian wine as his ‘wine of the year’: Beaulieu Vineyard Georges de Latour Private Reserve Cabernet Sauvignon 2019. According to him, ‘not only is it a perfect wine, but it is also a wine that highlights the greatness of so many wines from Napa Valley and the United States from the 2019 vintage’. His favourites also included Château Smith Haut Lafitte Rouge 2019, which remains available with only a small increase on its release price.

Most recently, Jane Anson named Château Lynch Bages 2014 her wine of the year. Anson claimed that ‘Château Lynch Bages 2014 stood out as a wonderful example of what makes Bordeaux a region that wine lovers return to again and again’. The wine had set a trading record earlier this quarter at £1,025 per 12x75 – a 78% increase on its release price of £575 per case.

Lynch Bages 2014 performance since release





Courtyard of Hôtel Dieu in Beaune

The market welcomes the 2021 Burgundy vintage

The high quality but extremely low quantity 2021 Burgundy vintage is hitting a fragile market, as the region continues to break pricing records. As a result, more growers are being considered investment worthy and prices are rising across the board.

The 162nd Hospices de Beaune wine auction raised €31 million, twice more than the previous record set in 2018. The Burgundy 150 index is up 26.7% over the past year and

the region's top wines are being offered at unprecedented price levels. This has led buyers to consider wines across all appellations and the region has become the fastest expanding category on the secondary market.

The 2021 En Primeur campaign is seeing a greater diversity of collectible options due to shrinking stock and soaring demand. The vintage – one of the smallest in recent memory – produced a tiny crop of remarkable wines. Tight allocations and high prices across all appellations, however, will likely prompt collectors to look back at older vintages, such as 2012 and 2014. In the last quarter of the year, the most recent 2019 and 2020 vintages enjoyed heightened demand.



A look ahead to 2023

Faced with extreme challenges, fine wine cemented its worth as an alternative asset and a hedge against inflation in 2022, while mainstream markets underperformed. Its stability will play a key role in 2023 as the economic outlook remains uncertain.

Although fine wine's gains slowed in the final quarter of the year, suggesting perhaps a temporary drift, many wines set new trading records. Among them were some of critics' favourite 'wines of the year' such as Talbot 2019 and Lynch Bages 2014. Bordeaux remains the fine wine market's driving force, with heightened demand across both 'on' and 'off' vintages. Indeed, some of the best-performing wines in December were Bordeaux 2011s. But the market is also getting broader, with more wines considered investment-worthy than at any other point in history. California, Italy and the Rhône are other regions with proven collectible potential that might attract greater interest again this year.

"2023 is likely to see the return of more subdued market players, which offer value and quality."

If 2022 was all about Burgundy and Champagne, with soaring demand and peaking prices, 2023 is likely to see the return of more subdued market players, which offer value and quality.

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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