



Vintage Wine Market Update - 2020 November

With the end of 2020 just around the corner, what can be said about the fine wine market's performance this year?

It is surprising that in spite of a global pandemic, Brexit and trade wars, the vintage wine market not only remained stable but offered small positive returns. From a low point in May, the Liv-ex Fine Wine 100 Index continued its upward trend until the time of writing.

Despite the disruption of traditional distribution channels, such as high-end restaurants globally, there was in fact a significant increase of liquidity on major on-line trading platforms such as Liv-ex, as well as a broadening of the overall fine wine market with more wines from different regions being traded. During the months of lockdown and COVID-related restrictions, wine merchants and auction houses dramatically improved their online services in order to satisfy their clients' requirements.

Bordeaux first-growths such as Lafite, Mouton, and Haut-Brion showed strong activity due to renewed interest from Asian investors. Historically, vintage wine has been viewed as not only a recession-proof asset, but also as one with lower volatility, and it is attracting younger market participants in greater numbers. Due to these recent trends, world renown brands of Bordeaux top growths offer comfort and more certainty.

Focus on Champagne

Over the past 10 years, the Liv-ex Champagne Index has risen by about 80%. Demand for vintage Champagne from top producers is the

main reason for stronger prices. Just like other major wine regions, Champagne is, above anything else, a question of brand names, with Moët and Chandon, Dom Pérignon, Salon, Krug and Louis Roederer being the leaders. Exceptional vintages of their top products continue to offer interesting investment opportunities.

Let's look at Salon Le Mesnil for example. This champagne is only made in exceptional years (only 37 vintages produced since 1911) and is kept for a minimum of 10 years in the cellars before release. If the harvest is not up to their high standards, the grapes are sold to a sister company, either Delamotte or Laurent Perrier. This, combined with a relatively low production (60,000 bottles), make Salon Le Mesnil a true investment grade champagne. Over the past 5 years, the 3 best performing vintages have offered a return of 150% of the period or about 20% per annum.

Bordeaux and Burgundy – the 2020 vintage

2020 will be known primarily for being the earliest harvest in recent history. The harvest started roughly 10 days earlier than usual in both Bordeaux and Burgundy.

The "100-day" rule, which refers to the number of days from the initial flowering of the vines in the spring up till harvest, does not seem to apply any more. In the past, this rule of thumb traditionally allowed winemakers to organize their work schedule and plan their summer holidays. However, due to warmer weather, 90 days now seem to be the norm.

In Burgundy, the 2020 vintage looks very promising for both reds and whites. An abundance of freshness and minerality for the

chardonnay and a beautiful acidity for the pinot noir.

For Bordeaux, 2020 is looking like another good to very good vintage, depending on the appellation. That said, it has been a complicated year for winegrowers. It appears to be a vintage that will vary not only from appellation to appellation but also depending on technical choices made by the wine properties such as how and when to treat strong cases of mildew. It is too early to tell which winery or wine area will come out on top, but it seems that red wines are looking better than whites at this stage.

One thing is certain - the 2020 harvest will go down in history, not only because of the COVID pandemic, but also as a climatically difficult vintage. The savoir-faire of winemakers will make a critical difference.

The Auction World

Contrary to expectations at the beginning of the pandemic, the global sanitary crisis has had little impact on auction sales. 2020 will be considered an excellent year for wine auction sales.

Sotheby's Mid-year Market Report covering the first six months of 2020 is proof that technology has become a crucial element in selling vintage wine. During this period, out of the USD 45 million global wine and spirit sales, USD 24 million was sold online. Over 1,000 bidders from 40 countries joined the 17 online auctions. Fifty percent of the first-time bidders were between 20-30 years old and about a third of Sotheby's clients are millennials. Asia continues to be the dominate player in vintage wine auctions. In Hong Kong, during early summer, Sotheby's held its first live auction since the start of the COVID

pandemic and achieved the 3rd highest-valued wine sales held in Asia, at approximately HKD 180 million.

The major autumn auctions will be held much later than usual and we look forward to see those results in due course.

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