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Fine Wines: A secure investment and sustainable option, according to UK financial advisors

Friday, July 7, 2023



Fine wines have firmly established themselves in the portfolio of investors, as revealed by the UK financial sector. According to the WineCap report, "The Journey from Passion Asset to Mainstream Asset Class", 40% of investors include wine in their portfolios, with an average weight of 10%. This solid, consistent performance over the last decade has led to the professionalization of the secondary investment wine market and the birth of dedicated marketplaces, indices, and startups built around managing personal cellars.

Such developments have contributed to an efficient and beneficial ecosystem of services.

The intrinsic appeal of fine wines positions them as passion assets, akin to vintage cars, art, rare stamps, and antiques. British consultants anticipate that this passionate investment will continue to experience significant demand growth. A compelling 96% of the interviewees agree (with 60% foreseeing a substantial increase) that wine is preferred over watches (86%), luxury bags (80%), art (68%), and vintage cars (60%). This preference shows that the allure of wine extends well beyond the community of enthusiasts, embracing a broader audience. Around 40% of the clients of British financial consultants have invested in wine, with an average portfolio allocation of about 10%.

While high returns are crucial, an increasing number of investors are considering environmental, social, and governance factors in their investment decisions. In the case of fine wines, these considerations are a significant strength. A vineyard the size of a rugby field, for instance, absorbs about 2.84 tonnes of carbon annually. The adaptable nature of viticulture—being able to thrive in rocky terrains and high altitudes—makes it an effective response to soil degradation, a key concern for environmentalists. Moreover, organic wine production supports pollinators as organic or pesticide-free vineyards—often a hallmark of good wine—aid bees and other pollinators. Furthermore, unlike disposable plastic, fine wine glass bottles are treasured. To put the sustainability of wine into perspective, one would need to drink a bottle of wine every day for three years to match the carbon footprint of a single flight from London to New York.

Fine wines, like other alternative investments, tend to occupy a significant place in larger portfolios belonging to more sophisticated investors. According to the report, 96% of the respondents confirmed that clients who invest in fine wines are primarily expert investors, with 62% declaring themselves "very experienced". Among the many qualities of fine wines that attract investors are sustainability (54%), strong returns (48%), tax efficiency (42%), stability (40%), and low correlation with major asset classes (30%). In an era of high market volatility, fine wine performance has generally held up well. The sector's benchmark index, the Liv-ex 100, has shown that fine wines have produced uniform volatility returns, outperforming many other types of

investments. Over the past five years, the Liv-ex 1000 has risen by 41.2%, compared to the modest 8.9% increase of the FTSE100.

Although wine appeals to passion, it also appeals to rationality. Financial advisors view it as a defensive, low-risk investment where high returns are less important than capital preservation. In fact, 88% of the respondents consider fine wine as a prudent product in an investment portfolio, often alongside other safe-haven assets like government bonds and gold. Half (50%) even describe it as an "extremely" cautious profile. One of the less-discussed strengths of fine wine is its exemption from the UK Capital Gain Tax, as it is considered an asset with an expected useful economic life of less than 50 years.

Looking ahead, factors that are expected to play an important role in encouraging investments in fine wines include greater investor awareness of the role that fine wines can play as a "diversifier" relative to equity and bond portfolios, as indicated by 58% of the respondents. Greater confidence in the liquidity of the secondary market (24%) will also be a key factor. While fine wines have already made substantial progress on their journey to becoming a widely accessible investment, there is still much ground to cover to reach a level of ubiquity similar to other traditional goods. However, almost all (96%) UK respondents believe that, considering the appeal of fine wines as a primary alternative asset, awareness is set to grow in the coming years, with about a third (35%) stating that it will grow significantly.

For asset managers and financial advisors, the pivotal role that professional investment companies can play along the chain of investments in fine wines is also crucial. This sophisticated sector requires specialized investment skills, portfolio management, solid relationships with major producers, and suitable storage facilities to optimize returns. Fine wines, it seems, will continue to age well in the world of investments, embodying both sustainable practices and sound financial strategy.