

# Fine wine as an alternative investment

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ADMIT it. Wine is a sexy drink. Its taste, scent and colour lures you to drink it all in. Then, it slowly swirls down your throat, leaving you with a lingering warm sensation in your stomach.

However, one should know that wine is not only a drink that gives pleasure to ones taste buds; it also has the ability to generate returns for investors.

Fine wine investment is an alternative investment that is not new to the market. In fact, wine investment started in France hundreds of years ago. It is a known fact that the longer you keep wine, the higher it increases in value.

Investing in wine is available to both drinkers and non-drinkers. However, if you do enjoy your wine, you can combine your hobby and make a bit of money at the same time.



Vineyards Direct Malaysia Sdn Bhd chief executive officer [David Spencer](#) calls it a mix of business and pleasure. “Whether or not our clients are drinkers or non-drinkers is irrelevant.”

Due to the recent economic downturn, wine investment has become much more popular. Spencer says: “People are fed up with the roller-coaster ride that traditional investments have given them. The volatility involved can be quite scary.”

“Unless you're a savvy and dedicated investor, you stand to lose lots of money.”

Fine wine broker Nick Harty says that if the risk, returns and the stability of the market are compared, fine wine has been outperforming worldwide markets such as the Dow Jones Index and FTSE 100 Index for 10 years. A fine wine broker that tracks the price movements of 100 of

the most sought-after fine wines, the period of Jan to June 2011 saw an overall gain in value of almost 24%.

Investing in wine is what Spencer calls an “arm-chair investment.” Harty comments that it entails very low risk because they do not actually trade wine for less than what is paid for them. Those that have lost their faith and trust in traditional investments such as publicly-traded stocks, bonds and mutual funds look for stability in alternative investments such as wine.

This type of investment also attracts those who prefer a conservative environment.

Spencer says: “Our clients range from housewives to captains of industry with the likes of CEOs and entrepreneurs.”

Typically, an investment in wine is held for a period of three to five years. However, Spencer said that the holding period depends on the client. “What kind of level of returns are they looking for? Once it has reached that specific point, the broker will then look to trade,” Spencer said.

It is also dependent on where the demand for that particular wine is. He adds: “At the moment, China is exploding with money and consumerism. People there are buying anything and everything that is expensive, but this changes with time. In five years time, it could be that the demand has shifted to Brazil, India or Russia.” Wine brokers will study the market to see where the best price for the wine can be achieved.

Harty said: “If you look at the demand for fine wine and the occurrence of millionaires and billionaires geographically, you will find that fine wine sales mirrors the amount of millionaires per capita.”

Wine is typically graded on a system from 1-100. Investment grade wine are those that are rated 90 and above. These wines are those that will mature with age if it is stocked correctly.

“We tend to work with wines that are rated 95 and above, which ensures that the wine is going to increase in value, is sought after, and has the kind of shelf life that we can work with. Some of these wines can be drunk in 30 years time, at which time they will be extremely rare and in turn, will trade for a lot more money,” Harty says.

Ratings from wine critics are also taken into account, as it will indicate how the wine is going to mature. He adds that they look at the statistics before offering the wine for clients to invest in.

Asia is a particularly new market for fine wine. “Currently, we have a huge success for Shiraz in China,” Spencer said. “Wine is in limited supply all over the world, but the demand for fine wines in Asia has exploded in the past five years,” he adds.