

A GUIDE TO INVESTING IN FINE WINE





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INTRODUCTION



The Market

With a long-run return of >10% pa, fine wine boasts an impressive track record. Furthermore, the tension of expanding international demand and diminishing supply that drives price appreciation is arguably more acute today than at any point in recent decades. The globalisation of wine, the expansion of High Net Worth consumption and the increased investment focus on alternative assets are some of the key driving factors. All these trends give me great confidence that there will be further compelling investment performance in both the short and long-term.

A Global Merchant

Established in 1997 Bordeaux Index has grown to be one of the world's largest fine wine merchants. Backed by leading figures in finance and fine wine production and with offices in London, Hong Kong, Singapore and Los Angeles, we have developed an unrivalled supply and global distribution network.

We have built by far the broadest fine wine buying platform in the industry (including the only two-way trading screen LiveTrade), whilst also managing some of the largest private and institutional collections in the world. With half of Bordeaux Index's revenue generated in Asia, we are one of the most influential merchants in this important region, from established markets in China, Taiwan and Japan, to the emerging markets in South East Asia.

Unparalleled Investment Expertise

Our strength lies not just in the sourcing of fine wines at the best prices but also in the analysis of our investment team, which has an unmatched background in economics, finance and trading— a combination unique in the wine market. Added to this expertise is access to crucial flow-data which lies at the heart of all our decision-making.

To complete the offer, we act on a best price guarantee basis and, through LiveTrade, give real-time bids for over 550 of the world's top, investment-grade wines. We remain the only merchant to offer this guarantee of liquidity, transparency and advice to investors.

It is for all these reasons that we firmly believe that Bordeaux Index is home to the most comprehensive, reliable and honest investment service available.



Gary Boom, CEO and Founder of Bordeaux Index



Starting your portfolio

All you need to get started is to read this document and follow these steps:

- 1 Decide how much you would like to invest.
- 2 Decide the duration of your investment.
- 3 Decide the type of portfolio you would like.

Call our Investment Group on
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+852 2504 1122 (Hong Kong)
or email: sales@bordeauxindex.com



BORDEAUX INDEX'S MANAGEMENT & INVESTMENT TEAM

Bordeaux Index is a multi-award winning business which prides itself on building long-term client relationships formed on trust, innovation and service excellence. Our people, throughout the business, ensure that investors benefit from our unrivalled insight, experience and efficiency to best realise their investment goals.

Senior Management

Michael Spencer
Chairman

Former CEO and Founder of ICAP and NEX Group. Michael brings invaluable experience and strategic insight to the business, with a particular focus on our LiveTrade platform.

Gary Boom
CEO and Founder

Gary helped run ICAP before establishing Bordeaux Index in 1997. In addition to his notable finance background Gary has built unrivalled experience in all aspects of the wine market taking Bordeaux Index from scratch to a £100M company in 20 years and simultaneously managing some of the largest wine investment funds and portfolios in the world.

Société Jacques Bollinger (SJB)

SJB are owners of Bollinger Champagne and one of the foremost French wine distribution companies. SJB took a minority share in Bordeaux Index in 2019 and joined the Bordeaux Index board, in order to get a complete picture of the fine wine market and share their distribution expertise with Bordeaux Index.

Investment Team

Matthew O'Connell
Head of Investment

Upon graduating from St John's College Cambridge Matthew worked in investment banking with Goldman Sachs for over a decade before joining Bordeaux Index. He has extensive experience in structuring, selection and execution of investment products.

Andrew Davison
Head of Trading

A Cambridge University Mathematics graduate and former Fixed Income trader for Deutsche Bank, Andrew has worked in wine trading for over a decade, including managing one of the largest wine investment funds (with over £100M assets) in partnership with Gary Boom.

FINE WINE PERFORMANCE

Returns accompanied by low volatility

Fine wine has outperformed almost every major asset class over the past three decades.

Whilst there have been several years in which returns have exceeded 20+% per annum, the long-run character of the fine wine market is primarily one of stable – yet attractive – returns accompanied by low volatility.

Analysis of a broad basket of leading investment grade wines reveals a Compound Annual

Growth Rate of 11% since 1988. To put this in context, the returns for UK equities (FTSE), Asia equities (Hang Seng), Gold, and Oil for the same period were materially lower at 9%, 8%, 4%, and 4% respectively.

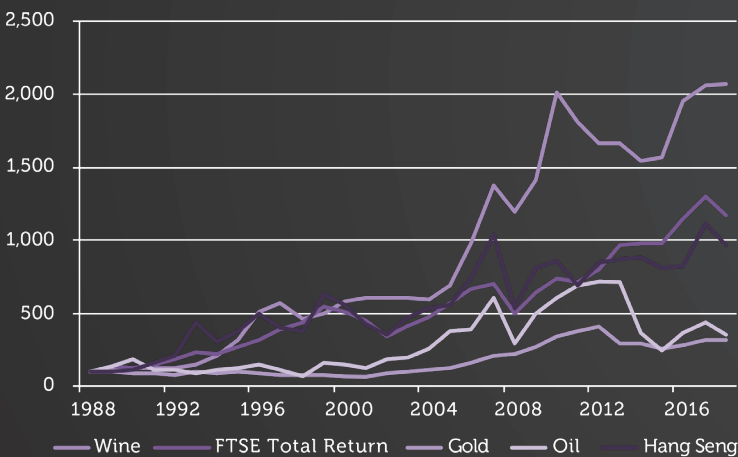
In addition, wine has an attractively low correlation with other assets during disruptive market phases, making a valuable addition to a diversified investment portfolio (see page 7). This search for diversification is a notable feature of today's investment landscape as investors, large and small, look to increase their exposure to 'passion investments'.

Diversified and potentially rewarding investment landscape

Historically, the Fine Wine market had been restricted to only the most celebrated Bordeaux wines. However, in the last 10 years the market globally has broadened to include icons from Burgundy, Champagne, to the US and the new world.

This key development has created a more diversified and potentially rewarding investment landscape.

Long Term Performance



Source: Bloomberg

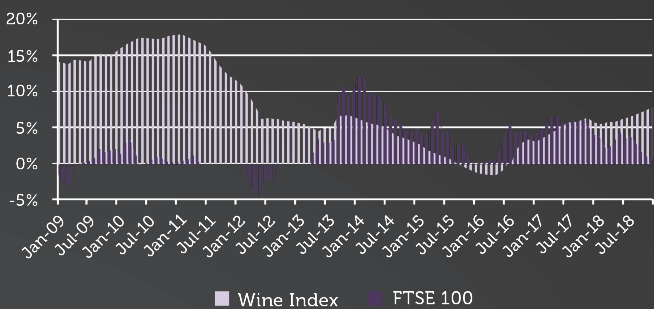
While Bordeaux Index cannot provide tax advice, note that wine investment is generally considered to be exempt from UK Capital Gains Tax and similar benefits may exist in other regions.

Wine has an attractively low correlation with other assets during disruptive market phases, making a valuable addition to a diversified investment portfolio

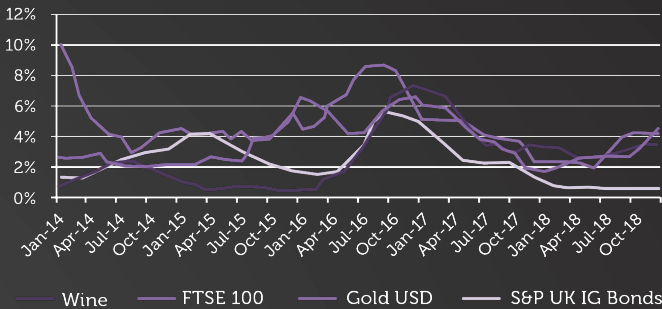
CAPITAL PRESERVATION: LOW VOLATILITY AND CORRELATION

Wine generally exhibits lower volatility than equities and gold

Rolling 5yr Compound Annual Growth



Rolling Annual Standard Deviation



Low correlation with other asset classes

We also witness wine exhibiting low correlation with other asset classes, including – significantly – during disruptive market phases (when the correlation is also usually negative).

Global Financial Crisis (Aug 2007 - Mar 2009)

	FTSE	Gold	Bonds	GBP/USD	Wine
FTSE		-0.30	-0.67	0.93	0.09
Gold	-0.30		-0.67	-0.30	0.44
Bonds	-0.67	-0.67		-0.06	0.06
GBP/USD	0.93	-0.30	-0.06		0.26
Wine	0.09	0.44	-0.06	0.26	

Wine Performance: +1.8%

European Crisis (Jan 2012 - Mar 2013)

	FTSE	Gold	Bonds	GBP/USD	Wine
FTSE		-0.02	0.75	-0.42	0.33
Gold	-0.02		-0.28	0.65	-0.10
Bonds	0.75	-0.28		-0.29	-0.10
GBP/USD	-0.42	0.65	-0.29		-0.35
Wine	0.33	-0.10	-0.10	-0.35	

Wine Performance: -0.8%

"Taper Tantrum" (Jun 2013 - Sep 2013)

	FTSE	Gold	Bonds	GBP/USD	Wine
FTSE		0.68	0.32	-0.19	-0.40
Gold	0.68		0.15	0.46	-0.51
Bonds	0.32	0.15		-0.66	-0.91
GBP/USD	-0.19	0.46	-0.66		0.29
Wine	-0.40	-0.51	-0.91	0.29	

Wine Performance: +0.7%

Q4 2018 Sell-Off (Oct 2018 - Dec 2018)

	FTSE	Gold	Bonds	GBP/USD	Wine
FTSE		-0.92	0.21	-0.67	-0.59
Gold	-0.92		0.18	0.37	0.39
Bonds	0.21	0.18		-0.34	-0.67
GBP/USD	-0.67	0.37	-0.34		-0.34
Wine	-0.59	0.39	-0.67	-0.34	

Wine Performance: +0.8%

Source: Bloomberg





SUPPLY & DEMAND

As for any asset, wine prices are driven by the interaction of Supply and Demand. Uniquely, the consumption of wine (increasing rarity) and the improving nature of wine as it ages means that the balance shifts heavily towards Demand over time, applying upwards pressure on prices.



UNDERSTANDING THE MARKET

Market Drivers

Only a fraction of total wine production can be considered investment grade. Even amongst age-worthy and celebrated producers there is only a small proportion with the track-record of meaningful capital growth.

Bordeaux Index's in-house models developed by our investment experts allow us to construct the most comprehensive view of market dynamics available –

including an Artificial Intelligence powered algorithm focussed on modelling future market trading across the LiveTrade platform. This full-spectrum approach helps to uncover value discrepancies and emerging trends that other investors can overlook. Within this framework six factors predominate: Critics' Assessment, Brand, Vintage, Availability, Market Trends and Real Economy.

Supply

Unlike the mass market wines we see on the high street, fine wine operates in the context of a structural market shortage. As a result of limitations on production, the forces of nature and the relentless pursuit of quality, only a small amount of truly fine wine is produced. We estimate the global "investment grade" fine wine pool to be £40bn, around 5% of global wine production / stocks. The necessity of a producer's established pedigree, legal classifications (e.g. AOC) and positive critical opinion means that adding to this group is both extremely difficult and very time consuming. In short, there is a

very effective barrier to new entrants and therefore to a supply increase.

The combination of finite production and increasing consumption over time as the asset improves means that supply becomes strained as the wine ages.

Demand

Over the last 15 years the fast growing market economies of China, Singapore, Taiwan and wider South East Asia have established themselves as important and growing players in the international fine wine trade. With this expanding

international support, the top fine wines are well established as some of the most exclusive global luxury goods.

Fine wine demand is by no means exclusively driven by these new consumer bases, as the more established markets of the UK, Europe and the US continue to expand their appreciation, collecting and consumption.

A further feature of today's wine buyer is a desire to consume their wine at an earlier stage in its life cycle. This is an important advantage from an investment perspective.



Critics' Assessment

In some ways the rating agencies of fine wine these commentators have the ability to dramatically influence demand and prices. Once dominated by the voice of Robert Parker, today's multipolar environment is more complex but no less influential.



Brand

Encapsulating diverse factors including history, ownership and market presence, brand is an important factor in contemporary buying decisions. The effect can be seen most strongly in markets that are comparatively new to fine wine.



Vintage

Vintage has a marked impact on the magnitude and timing of price development. Most obviously some vintages are more celebrated and collectable than others (1961, 1982 etc.) and command an enduring premium. Equally some vintages mature more quickly enabling earlier consumption and thus depletion.



Availability

A combined measure of production, distribution and consumption. Reliable data is difficult to ascertain but accurate assessments of true availability are crucial to understanding likely price development.



Market Trends

Once somewhat monolithic in nature, today trends can develop quickly as consumption habits change and collectors target specific wines. Only those with access to real time retail data are able to identify and exploit emerging market trends.



Real Economy

Our models use a variety of headline economic data to help inform demand profiles across numerous relevant categories.

With this expanding international support, the top fine wines are well established as some of the most exclusive global luxury goods



MARKET OUTPERFORMANCE

Stock picking is as important in fine wine investment as in any other. Blanket investment in the best Chateaux or the best vintages simply will not yield desired outcomes. One of the most attractive characteristics of fine wine is the ability for insiders to drive significant outperformance. Bordeaux Index's vision of the market is unparalleled thanks to decades of experience in finance and wine investment, together with our proprietary technology.

New releases / short-medium term trading dynamics around new releases

Short-term performance can be greatly enhanced by targeting

particular new releases. Bordeaux Index receives prime allocations of the world's most sought-after wines and is one of the world's largest sellers of en primeur (futures).

Relative value arbitrage

Sizeable price gaps between same-quality vintages emerge frequently before pricing converges with higher priced vintages.

Global reach

Ability to source wines at a discount in one region and re-distribute at full price in other regions. With offices in London, Hong Kong, Singapore and Los Angeles we can identify market trends, globally at the earliest

opportunity.

Identification of & access to rare and high-focus wines

Wines with particular rarity or high-focus can produce large returns quickly, but only if there is the capability to identify and source. Bordeaux Index is the absolute market leader for buying and broking some of the world's great wine collections.

BUILDING BALANCED PORTFOLIOS

Once dominated by Bordeaux the "investment grade" market has diversified away from this thanks principally to increased global demand for non-Bordeaux wines. In many ways a reversion to the pre-2000s reality where investment activity was a more direct reflection of drinking and collecting norms. Today's portfolios reflect these dynamics and, as the chart below shows, demonstrates how getting ahead of trends at an early stage

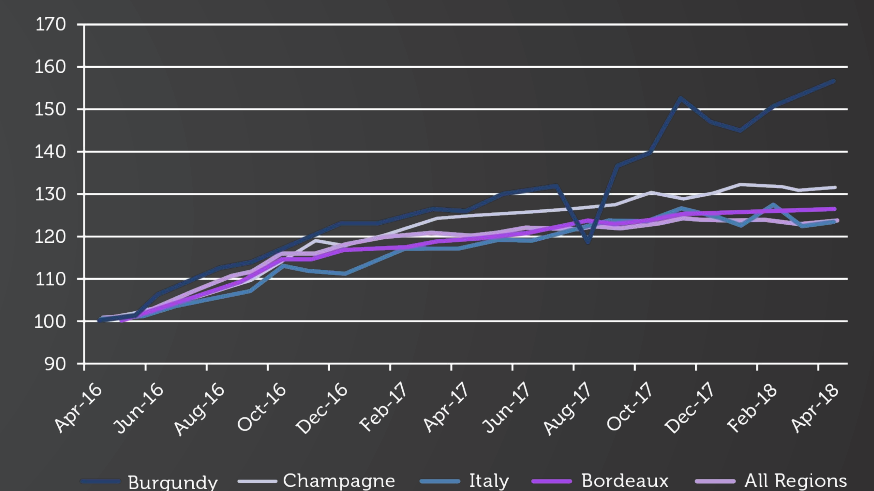
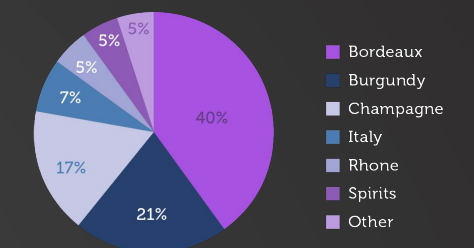
can result in outsized returns.

In the last 10 years the market globally has evolved such that Burgundy, Champagne, Italy, Rhone and the US are all firmly investment grade and indeed often now more in demand than Bordeaux.

Additionally, the improved market liquidity has brought down trading

spreads across many regions making the costs of trade so much lower. At the same time, more robust pricing in Bordeaux En Primeur (new release) campaigns has also diverted the focus of some market participants towards these alternative areas.

Typical Portfolio Distribution 2019



Source: Internal Analysis

Optimized Portfolio Performance

Using market insight, privileged access and best execution our typical diversified portfolios have consistently outperformed broad market measures whilst maintaining balanced risk profiles.

Last 5 Years	Bordeaux Index Wine portfolio	Wine Index	FTSE 100*	Gold GBP	UK Corp IG Bond
Total return	56%	26%	13%	27%	31%
Annualised Return	9%	5%	3%	5%	6%
Max 12 month Return	23%	22%	26%	45%	18%
Min 12 month Return	0%	-2%	-15%	-8%	-3%
Average Annual St Dev	5%	3%	13%	15%	5%

* Excludes Dividends
Source: Internal Analysis



LIVETRADE

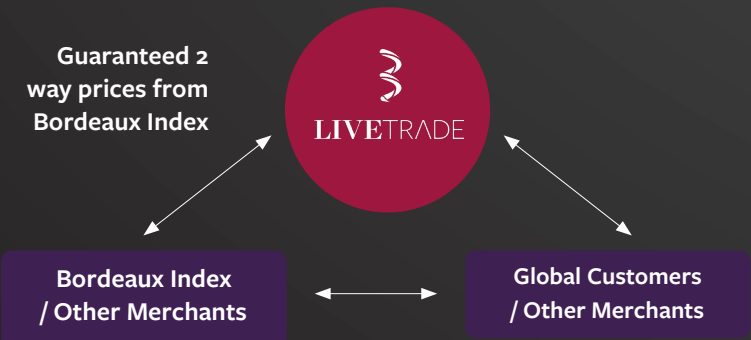
Established in 2009 LiveTrade is the only two way market platform in fine wine with a guaranteed bid and offer for over 550 wines. With the tightest spreads in the industry, sales through our platform rose to GBP 39m in 2018.

There is no commission payable, as unlike other wine trading platforms, LiveTrade is not a matching service but a dealing screen; all wines offered on

LiveTrade are our own stock so liquidity is always available and your trade can be made in just a few clicks. Furthermore, the quality and provenance of the cases on offer is guaranteed.

LiveTrade is an important facility for investors allowing as it does swift exits from the majority of wines in a portfolio, as well as providing true executable market valuations at all times.

Livetrade also serves as an invaluable tool for tracking and analysing data across markets, allowing us to see what the market is trading and what the market wants to trade, globally, 24/7. Bordeaux Index is thus best placed to give the most relevant, realistic and informed guidance when choosing what to buy/sell and when to do it.



“Bordeaux Index was first off the blocks in the UK. Their LiveTrade platform sets buying and selling prices of the top Bordeaux and is already a hit with investors.”

– Jancis Robinson MW

WINE STORAGE & INSURANCE



In Bond

We store our clients' investment wines ex. Duty and VAT in a bonded warehouse, which acts as a guarantee of their condition and provenance, thus ensuring the highest possible resale value.



Octavian Vaults

We use the world's leading long term fine wine storage provider, specifically their Colerne Reserve, a state of the art wine

storage facility in Wiltshire, England. This high-security, heavily insulated site boasts cutting edge technology to control temperature and humidity. Bordeaux Index's own team of 20 dedicated staff check every case that comes in and out of the warehouse, ensuring the highest standards of quality and provenance tracking are observed.



The wines are your property

To ensure clarity of ownership,

all wines are labelled with an UK Government approved “rotation number” and are logged with your own name and individual account code.



Storage charges & insurance

Our current storage charge is £10.50 ex. VAT per 12 bottle case per year, including insurance to full replacement value. Full terms and conditions can be viewed at www.bordeauxindex.com.

TRACKING YOUR INVESTMENT

The web-based My Cellar function (pictured below) gives real-time valuations for your portfolio. Our valuation algorithm uses a sophisticated combination of live, wider market and historic prices to accurately determine individual wine prices. You will also be provided with a formal portfolio valuation and review annually.

My Cellar

All

On Broking BIX

LiveTrade LIVETRADE

EXPORT MY CELLAR PDF

Search in your cellar...

Acct	Wine	Cs	Btls	Total Cost	Market Value	% Return	Broking	Action
Red Bordeaux								
Hide								
i	1970 Latour 12x0.75L - IB	0	10	£3,750	£6,000	60%	--	<div>SELL B1</div> <div>DELIVER</div>
i	1982 Latour 12x0.75L - DP	0	10	£800	£21,667	2,608%	--	<div>SELL B1</div> <div>DELIVER</div>
i	1982 Mouton Rothschild 12x0.75L - DP	1	0	£800	£12,900	1,513%	--	<div>SELL B1</div> <div>DELIVER</div>
i	1982 Pichon Lalande 1x6.0L - IB	1	0	£4,710	£4,710	0%	--	<div>SELL B1</div> <div>DELIVER</div>
i	1985 Margaux 6x1.5L - DP	1	0	£3,107	£5,080	64%	--	<div>SELL B1</div> <div>DELIVER</div>
i	1986 Leoville Las Cases 1x6.0L - IB	1	0	£775	£2,760	256%	--	<div>SELL B1</div> <div>DELIVER</div>
i	1986 Mouton Rothschild 12x0.75L - DP	1	0	£3,000	£9,900	230%	--	<div>SELL B1</div> <div>DELIVER</div>
i	1986 Mouton Rothschild	1	0	£3,000	£11,385	280%	--	<div>SELL B1</div> <div>DELIVER</div>

WHAT NEXT?

- 1

Decide how much would you like to invest.

We would recommend investment upwards of £10,000 to access stock with the greatest potential.
- 2

Decide on the duration of your investment & your risk appetite.

Investors are encouraged to set a 5+ year horizon for their portfolios to allow for the opportunities of a full market cycle. You then need to decide if you would like a higher, medium or lower risk portfolio.
- 3

Decide if you would like an Interactive or Managed Portfolio:

1

Interactive Portfolios

- Investors receive recommendations on specific wines but retain decision-making.
- No minimum size but £10,000+ recommended for balanced initial purchases.
- Can combine drinking and investment aspects if desired.

2

Managed Portfolios

- Fully managed portfolio where Bordeaux Index control all buying and selling.
- Tailored risk and liquidity profile.
- Minimum investment of £50,000 to achieve diversified portfolio;£25-50 Million+ sized portfolio is achievable.

Email: sales@bordeauxindex.com

“Bordeaux Index – the wine merchant that Bacchus would choose”
– Neal Martin,
vinous.com

DISCLAIMER

These materials have been prepared solely for informational purposes, and do not constitute an offer to buy or sell or a solicitation of an offer to buy or sell any security, product, service or investment. The opinions expressed in these materials do not constitute investment advice and independent advice should be sought where appropriate. The information provided in these materials or in any other communication is not intended

for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would give rise to any registration requirement within such jurisdiction or country. Neither the information, nor any opinion contained in these materials constitutes a solicitation or offer to buy or sell any securities, futures, options or other financial instruments or provide

any investment advice or service. This document does not provide tax or accounting advice and you should consult your own advisers in relation to these matters if required.



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