

The Value of a Brand: Déjà-Vu again?

The Liv-ex indices are just being updated as I type, we will report on these in full next week. The market has continued to register gains, although these are less substantial than last month. Nonetheless, aside from the value growth, trading volumes have remained consistent, with September exceeding expectations at Atlas.

What is encouraging is the diversity of trade currently. So called ‘off-vintage’ or lesser-rated First Growth vintages continue to find buyers, most likely driven by overseas demand. The value of the brand has really reasserted itself in the market and can not help but remind me of the market sentiment we witnessed in 2007/2008 when the market started to warm up before its bull-run. There is a touch of déjà-vu about the market, with modest and even mediocre vintages of First Growth trading strongly coupled with resurgent interest in the second wines of those illustrious five Châteaux. Clearly some of these younger markets still have this fixation irrespective of quality; the label retains its importance hence the surge of interest in the underwhelming 2013s.

One of our observations earlier this year concerned the second wine of Haut-Brion, namely Clarence de Haut-Brion. Given how well the Grand Vin from this estate has performed in recent vintages, it seemed odd to see the second wine languishing at less than half the price of the second wines of the other four estates. The change of name from ‘Bahans’ to ‘Clarence’ in the 2007 vintage took a little bit longer than expected to bed in. The subsequent change in the label and bottle, both of which now show more of a family resemblance to Grand Vin, has clearly assisted in establishing a stronger identity and it appears to be working [Fig 2]. Indeed, Clarence has started to move again underlining the brand awareness that still dominates sectors of the market. Various vintages of Clarence have outperformed the major indices, which surely makes a bold statement on the demand for First Growth associated brands.

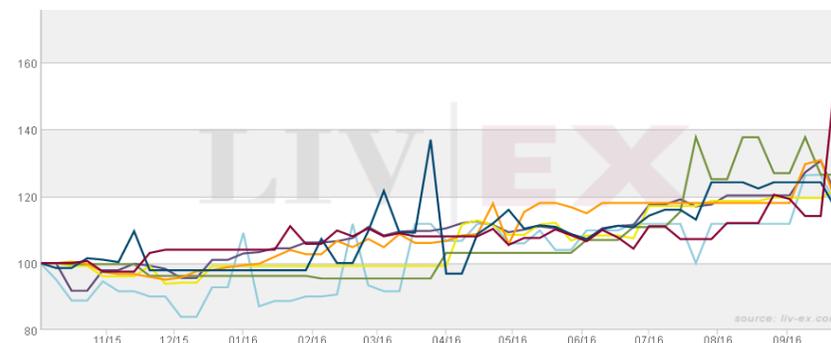
Back in 2008, brand awareness chimed with other key factors to propel Bordeaux forward on Asian markets. Eight years on, the cycle seems to be repeating itself. Petit Mouton, Carruades, Pavillon Rouge and now Clarence are all well-bid and trading widely on Liv-ex and in the broader market. Certainly there are different supporting factors at play, but the early market moves focus on familiar ground.

[Fig 1] Liv-ex Indices Monthly Close (September pending)

| Index 31/08/2016 (monthly close) | Level | MOM | YTD |
|----------------------------------|--------|-------|--------|
| Liv-ex Fine Wine 50 | 317.38 | 3.11% | 19.82% |
| Liv-ex Fine Wine 100 | 276.83 | 2.88% | 16.19% |
| Liv-ex Bordeaux 500 | 276.76 | 3.01% | 16.21% |
| Liv-ex Fine Wine 1000 | 281.62 | 3.04% | 14.84% |
| Liv-ex Fine Wine Investables | 304.40 | 2.85% | 17.06% |

Source: Liv-ex

[Fig 2] Clarence de Haut-Brion (vintages 2008 to 2014 over one year view).



| Series | Current value | 6m | 12m |
|---------------------------|---------------|-----|-----|
| Clarence Haut Brion, 2011 | 708 | 23% | 22% |
| Clarence Haut Brion, 2010 | 961 | 43% | 48% |
| Clarence Haut Brion, 2009 | 870 | 30% | 26% |
| Clarence Haut Brion, 2013 | 596 | 10% | 17% |
| Clarence Haut Brion, 2014 | 570 | 11% | 18% |
| Clarence Haut Brion, 2012 | 624 | 9% | 20% |
| Clarence Haut Brion, 2008 | 818 | 21% | 31% |

Source: Liv-ex