Atlas FINE WINES

Champagne and the five year hold.

Each of the key Liv-ex Indices [Fig 1] eased back a little last month, which Liv-ex themselves attribute to Sterling's weakness. This leaves the market as viewed on these terms with modest but sustained increases in value over the year-to-date, though month-on-month comparisons are not particularly useful in assessing the fine wine market.

That said, as highlighted in our previous market report, while Bordeaux in a general sense is inching forward, there are more significant moves in other categories. With a few notable recent releases, such as Krug 2004, Dom Perignon 2009 and the 2008 vintage of Clos des Goisses from Philipponnat, it is interesting to zone in on Champagne's performance over the last five years. We have commented on the Champagne market in depth before. It is worth highlighting once more that wines are often consumed earlier than in other sectors, yet the market is initially oversupplied when a release is made and it takes some time for volumes to settle down. Indeed, Champagne almost subscribes to a stepped model of price increases as opposed a gentle curve.

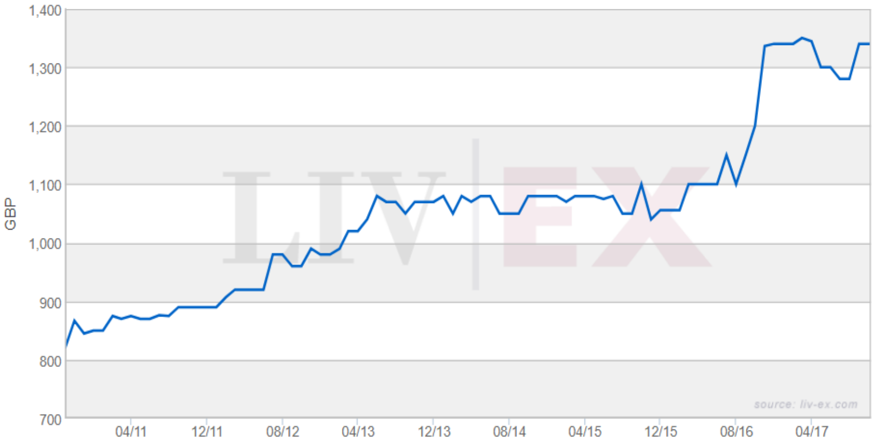
One of the issues with investing in Champagne is that the evolution of the wine after 10-15 years is such that it becomes more of a niche product, rather than one with particularly broad appeal. After such a period in bottle, most Champagne show less evident effervescence and moves to a more complex fruit character with far less of the brightness and freshness shown in youth. How easy will it be to find a volume bid in a 20 to 25-year-old Champagne? And furthermore, how many vintages—let alone wines within a vintage—age for a period to enable the value the chance to increase? The 2002 vintage still stands out for its longevity and overall quality and only now have we seen a price step in the value of 2002 Dom Perignon - a wine produced in a not insubstantial quantity. After a gentle climb from £750 a dozen to a £1050, the price remained flat for virtually three years before stepping to £1350 recently [Fig 2].

With Champagne, it would appear that the investment period necessitates a longer term hold than might be expected. If judged on a five year basis, the Liv-ex Champagne 50 shows a more than respectable 40.40% growth, placing it a little behind the Burgundy 150 (52.97%) yet ahead of the Bordeaux 500 (26.14%). Certainly vintage Champagne adds an interesting element to any portfolio, but it remains to be seen how the dynamics of this market will change, when stockholders who have now held good quantities of earlier vintages start to release them onto the market. Champagne's popularity as an investment grew considerably five years ago, and a number of those wines may now be showing good gains, inclining clients to sell. No doubt there is a trade off between the value enhanced by increased rarity and broader market appeal.

[Fig 1] Liv-ex Indices Monthly Close (30/09/2017)

Index 31/08/2017 (monthly close)	Level	MOM	YTD
Liv-ex Fine Wine 50	349.64	-0.25%	4.18%
Liv-ex Fine Wine 100	308.03	-0.21%	3.60%
Liv-ex Bordeaux 500	309.72	-0.51%	5.65%
Liv-ex Fine Wine 1000	321.20	-0.14%	7.14%
Liv-ex Fine Wine Investables	336.26	-0.31%	3.99%

[Fig 2]: The progress of 2002 Dom Perignon since release.



Source: Liv-ex