



Bordeaux 2018: The 10 Best Investment Wines

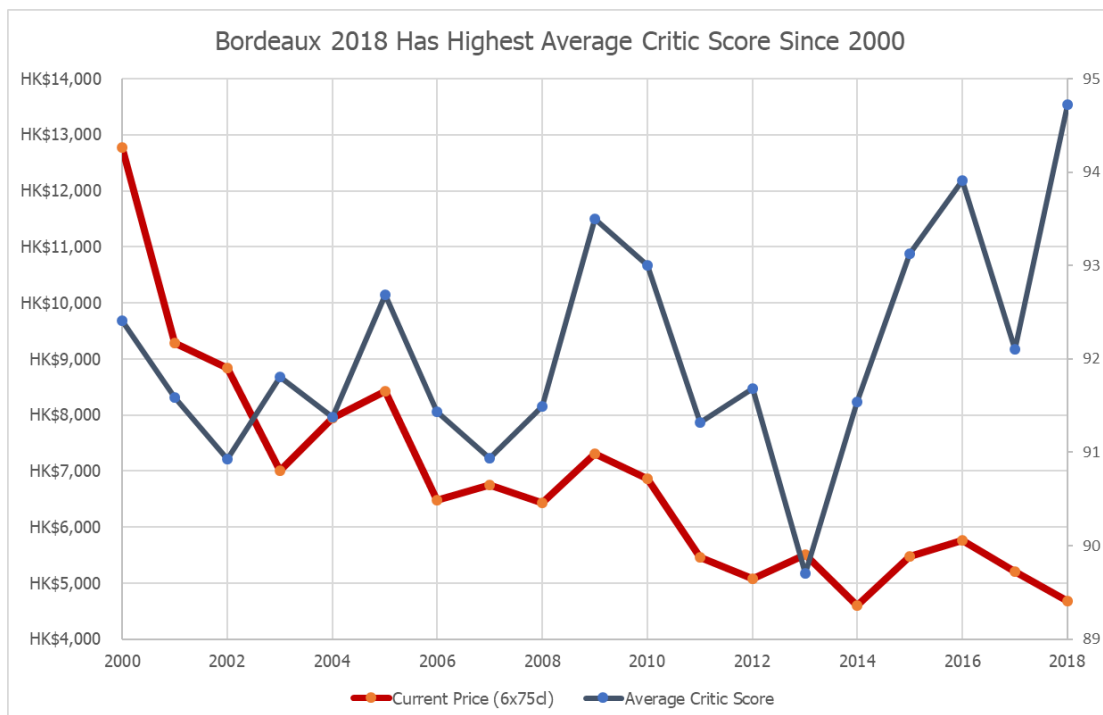
Bordeaux 2018: 'Top 10' Investment Wines

Position	Wine	Pack	Average Score	Best Score	Price Per Point	Valuation	Price	Fair Value	Discount to Fair Value
1	La Mission Haut-Brion 2018	6x75cl	98	98-100 (WA)	HK\$26.21	Undervalued	HK\$15,410	HK\$19,850	-28.8%
2	Haut Bailly 2018	6x75cl	97	97-100 (JD)	HK\$8.92	Undervalued	HK\$5,190	HK\$6,600	-27.2%
3	Pontet Canet 2018	6x75cl	97	97-99 (WA)	HK\$8.88	Undervalued	HK\$5,168	HK\$6,180	-19.6%
4	Beau-Sejour Becot 2018	12x75cl	96	96-99 (WS)	HK\$4.95	Undervalued	HK\$5,700	HK\$6,710	-17.7%
5	Smith Haut Lafite 2018	6x75cl	97	97-100 (JD)	HK\$8.35	Undervalued	HK\$4,860	HK\$5,700	-17.3%
6	Carruades de Lafite 2018	6x75cl	93	94-96 (JD)	HK\$19.89	Undervalued	HK\$11,100	HK\$12,900	-16.2%
7	Montrose 2018	6x75cl	98	98-99 (JS)	HK\$13.26	Undervalued	HK\$7,795	HK\$8,700	-11.6%
8	Lynch Bages 2018	6x75cl	97	96-98 (WA)	HK\$9.28	Undervalued	HK\$5,400	HK\$5,945	-10.1%
9	Leoville Barton 2018	6x75cl	96	96-99 (WS)	HK\$6.57	Undervalued	HK\$3,787	HK\$4,020	-6.2%
10	Lafite Rothschild	6x75cl	98	98-100 (WA)	HK\$51.00	Undervalued	HK\$29,990	HK\$30,955	-3.2%

- The 'fair value' for each wine is based on a regression of price against average critic score for all recent vintages.

Bordeaux 2018: Highest Average Critic Score of any Modern Vintage

Bordeaux 2018 has the **highest average critic score** of any modern Bordeaux vintage, but the **lowest average price** of any vintage apart from 2014. Generally, pricing was very reasonable from the chateaux.



- Bordeaux 2018 *as a whole* has average **critic score of 94.7/100**, which eclipses the previous modern record of 2016 (93.9/100). But the average selling price for Bordeaux 2018 is only HK\$4,675 (6x75cl), which is the **lowest average selling price** of any Bordeaux vintage except 2014.
- Critics have also noted the **extreme longevity** of Bordeaux 2018 wines (50-75 year drinking lives will not be uncommon). This is crucial for long-term price appreciation.

Bordeaux 2018: Critic Commentary Supports Statistical Analysis

The statistical analysis is backed up by the written critical assessment of the vintage:

"... the very best 2018s will be very long lived indeed. Superlatives such as Lafite, Latour, Léoville Las Cases, Haut-Brion, Petrus, Ausone and Lafleur will likely be getting their second wind in 50 to 75 years."

Lisa Perotti-Brown, *Wine Advocate*

"[2018 is] 2009 meets 2016 on the Left Bank... 1998 meets 2015 for the Right Bank... They are going to age brilliantly, because all the necessary elements are there in abundance."

Jane Anson, *Decanter*

"2018 is an exceptional year for Bordeaux wines... and can be compared in quality to recent excellent years such as 2016 and 2015. I think it could turn out to be an all-time great, similar to 2010, 2009 and 1989 or even such classics as 1982 or 1959."

James Suckling

Quick Guide to *En Primeur*:

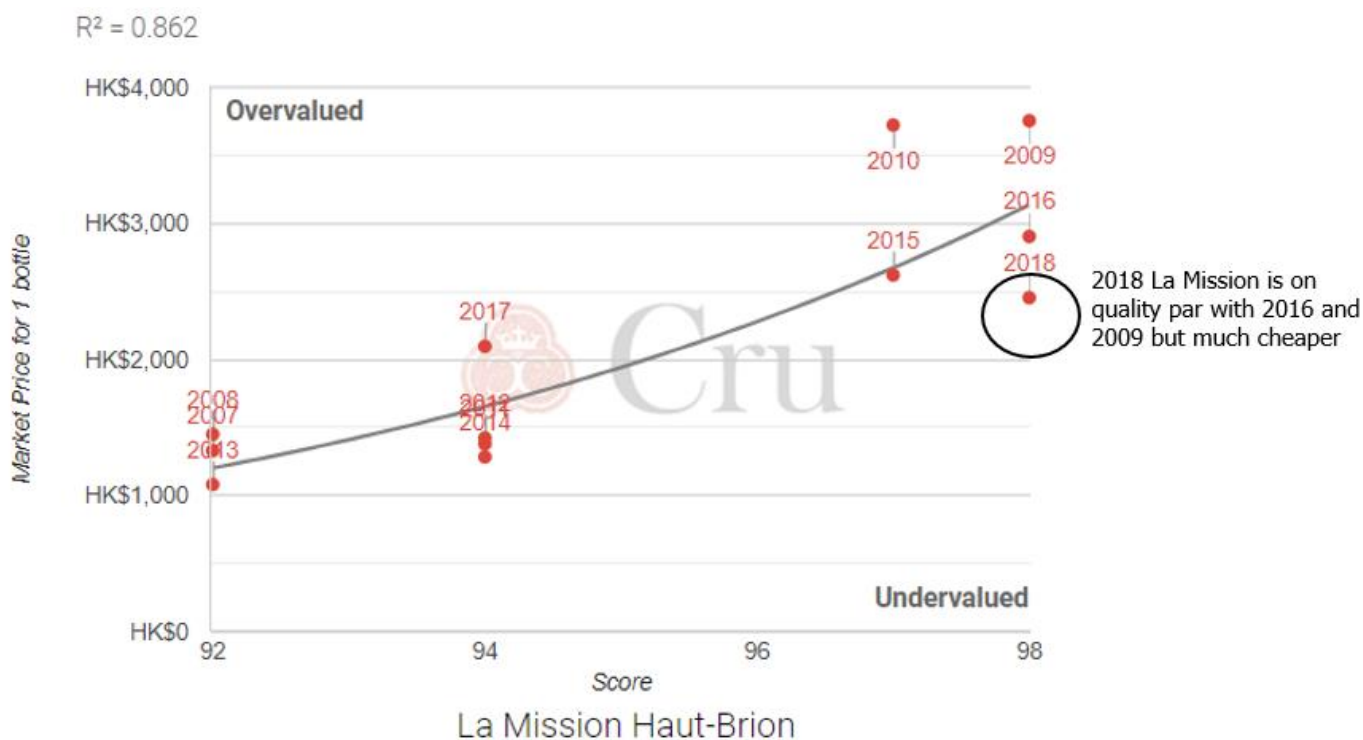
Many **new clients** purchased *en primeur* wines for the **first time** this year (especially in Asia). Here are the 5 key facts you need to know about buying Bordeaux *en primeur*:

1. Buying 'en primeur' is generally the cheapest way to buy Bordeaux wine.
2. You pay for the wine now, and it will be delivered to your storage account in early summer 2021 (when it is bottled).
3. You don't pay any storage fees for almost two years (until 30 days after the wine lands in 2021).
4. You can keep your Bordeaux wines in our storage facility at Dartess, France, which has the lowest storage rate of any of our global facilities, and save significant amounts of unnecessary CO² emissions.
5. You can sell your *en primeur* purchases at any time on the Cru website (you don't have to wait until they are delivered) for a selling commission of only 5%.

1. La Mission Haut-Brion 2018 – HK\$15,410 (6x75cl)

Fair Value = HK\$19,850 (6x75cl) – Undervaluation = **-28.8%**

- La Mission Haut-Brion 2018 is the **most undervalued wine** in our Top 10. It is -29% below fair value of HK\$19,850 (6x75cl) based on our regression analysis of all modern vintages.
- La Mission 2018 is equal in quality to the 2009 and 2016 wines, with an **average critic score of 98**, but is significantly cheaper than both. The 100 point (WA) 2009 wine is trading 53% higher than the 2018, giving the latter **significant room for appreciation**.
- The **98-100** score from Wine Advocate gives the La Mission 2018 important optionality. If it were to get the triple digit score, we would expect an immediate **jump of 20-25% in price**.
- La Mission Haut-Brion has an efficient secondary market pricing ($r^2 = .86$). This means that downside is very limited as the 2009, 2010, 2015 and 2016 are all trading higher. We are confident that this wine will correct upwards to at least its current fair value of HK\$19,850 well within our 3-5 year time horizon.

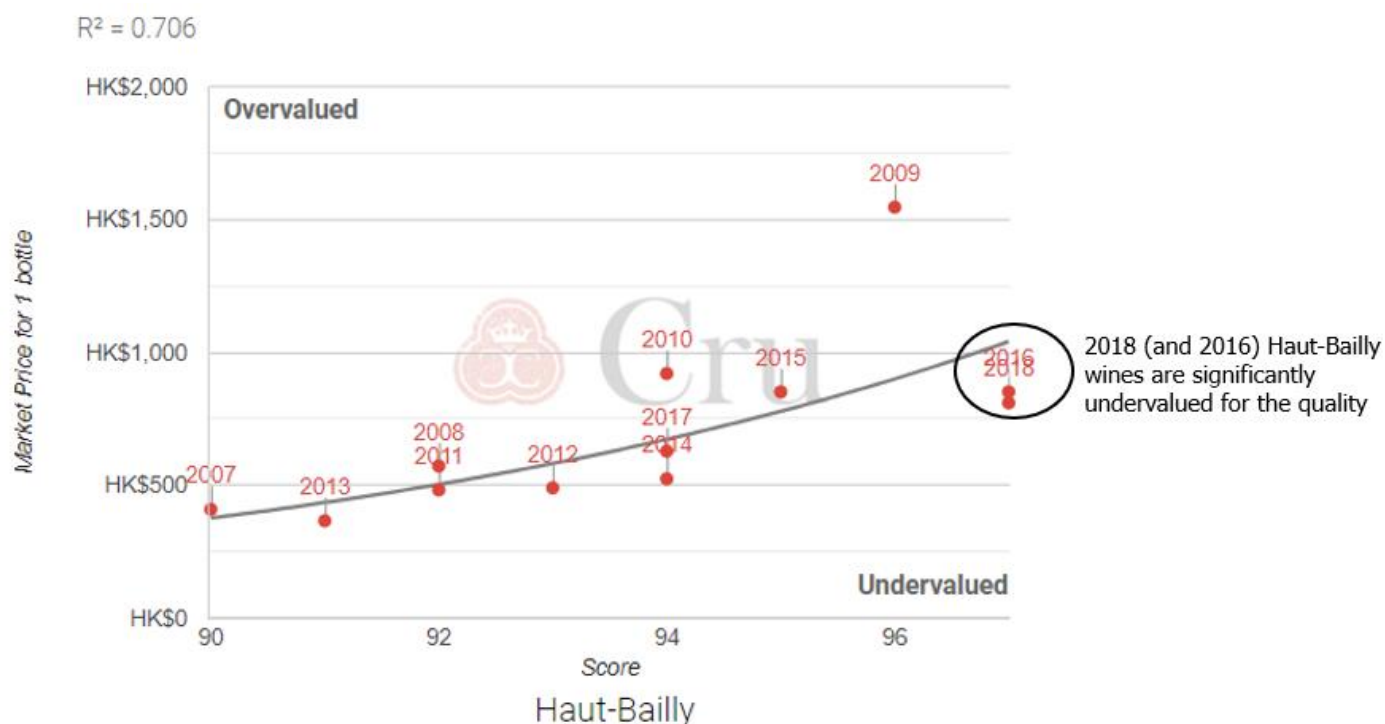


Market prices from Liv-ex.com – Scores from all leading Bordeaux critics

2. Haut Bailly 2018 – HK\$5,190 (6x75cl)

Fair Value = HK\$6,600 (6x75cl) – Undervaluation = **-27.2%**

- Haut-Bailly has been one of the best performing Pessac-Léognan wines since the 2009 and 2010 releases.
- The Haut-Bailly 2018 was released at a **very reasonable price** for the quality. Fair value is HK\$6,600 (6x75cl), which makes the 2018 wine **-27.2% undervalued** versus current price of HK\$5,190.
- A potential **100-point score** from Jeb Dunnuck is a wild card for the Haut-Bailly 2018. But even without it the 2018 shows as **undervalued** on our regression analysis. The 2009 wine shows what is possible for this estate, with a market price 91% higher than the 2018.
- The 2018 (and 2016) Haut-Bailly stand out as being **excellent buys** and we believe this wine will perform strongly over the next 3 years.

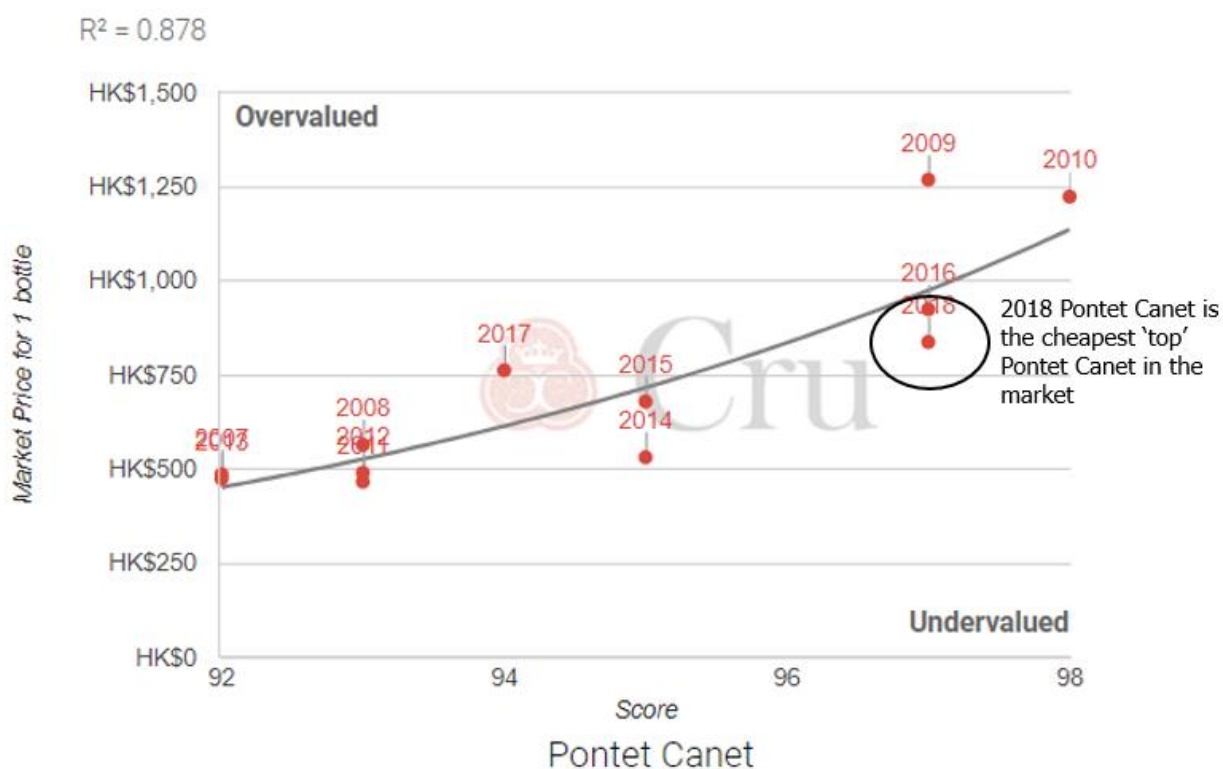


Market prices from Liv-ex.com – Scores from all leading Bordeaux critics

3. Pontet Canet 2018 – HK\$5,168 (6x75cl)

Fair Value = HK\$6,180 (6x75cl) – Undervaluation = **-19.6%**

- Pontet Canet did not have it easy in 2018. **Production was down 66%** because the estate refused to compromise its biodynamic principles in the face of widespread mildew in the vineyard. The **lack of supply** of the 2018 is a key reason for our long-term recommendation.
- Pontet Canet 2018 received an average critic score of 97, which is the same as the 2016 and 2009. Versus the 2009, the **discount on the 2018 of -42%** looks attractive, and the 2018 is also well priced versus the 2016, given the much lower quantity produced.
- Pontet Canet is now a wine that has such a global appeal that we think the combination of **tiny production, excellent quality** and **modest pricing** (this is the cheapest 'top' Pontet Canet in the market) means that it will shortly be sold out and will begin to trade as a premium to release price. And given the overall quality we expect this to be a good long-term performer also.



Market prices from Liv-ex.com – Scores from all leading Bordeaux critics

4. Beau-Sejour Becot 2018 – HK\$5,700 (12x75cl)

Fair Value = HK\$6,710 (12x75cl) – Undervaluation = **-17.7%**

- Beau-Sejour Becot is the cheapest wine in our Top 10 (note the price is for **12x75cl**). But this is an estate with **excellent momentum**. Good performances in 2015 and 2016 have been followed up with a 2018 which rivals many of Bordeaux's finest.
- An average critic score of 96 for Beau-Sejour Becot 2018 is only 2 points behind Lafite and other wines many times its price.
- This is comfortably the **best Beau-Sejour Becot made**, but the release price was well below the lesser quality 2015, 2016 and 2010 wines.
- Given the higher secondary trading prices of the 2015 and 2016, we see plenty of upside in the 2018 and would not be surprised to see it **trade at 'fair value' price of around HK\$6,710 (12x75cl)** within 12 months.



Market prices from Liv-ex.com – Scores from all leading Bordeaux critics

5. Smith Haut Lafitte 2018 – HK\$4,860 (6x75cl)

Fair Value = HK\$5,700 (6x75cl) – Undervaluation = **-17.3%**

- We are pleased to be able to recommend Smith Haut Lafitte to investors this year.
- A **97-100** score from **Jeb Dunnuck** and 97-99+ from Wine Advocate put this wine at the **top table** of Bordeaux estates in 2018.
- Like its neighbour Haut-Bailly, our analysis shows the Smith Haut Lafitte 2018 (and 2016) to be **undervalued versus back vintages**. An average critic score of 97 points makes the 2018 joint best modern vintage from this estate, actually ahead of the 2009.
- The (admittedly 100-point *Wine Advocate* scoring) Smith Haut Lafite 2009 is trading at HK\$9,850 (6x75cl), which is more than 100% higher than the 2018 or 2016. The 2018's discount to the 2009 looks excessive and hence we see **significant upside in the 2018**, initially to its fair value of HK\$5,700 (6x75cl) and then beyond.

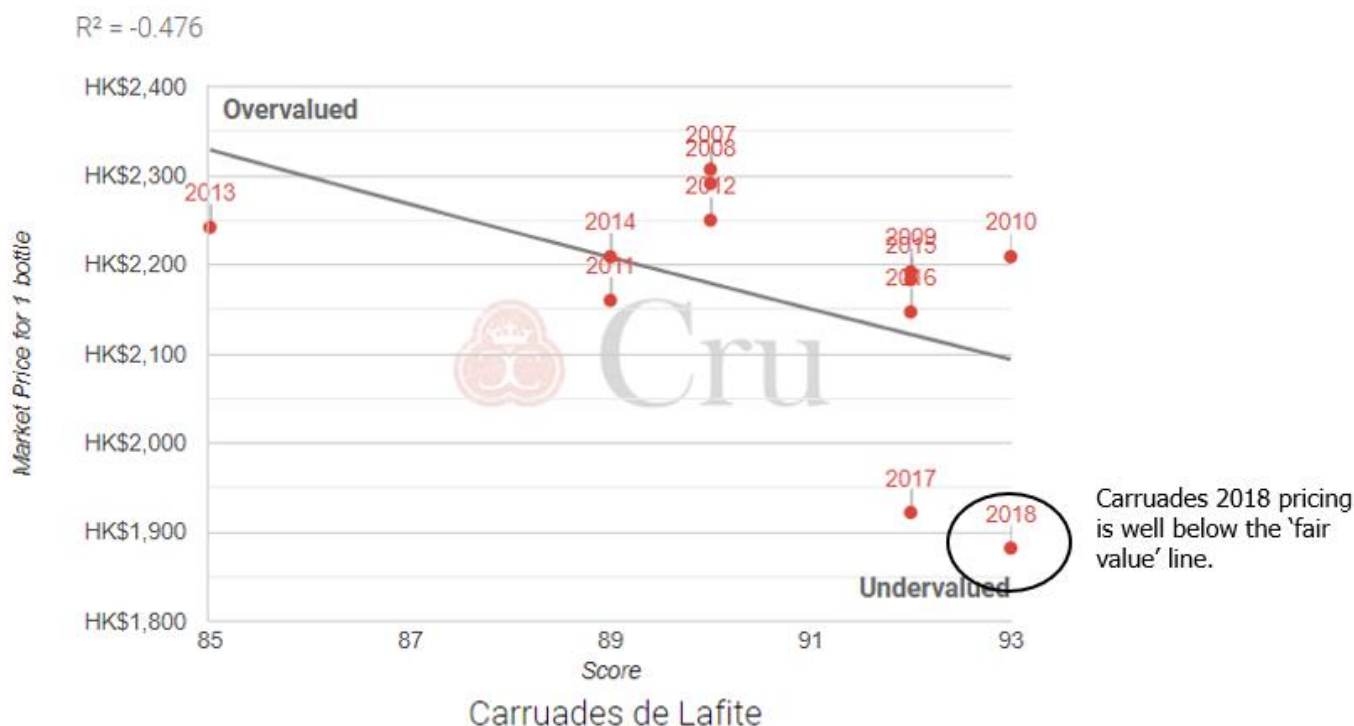


Market prices from Liv-ex.com – Scores from all leading Bordeaux critics

6. Carruades de Lafite 2018 – HK\$11,100 (6x75cl)

Fair Value = HK\$12,900 (6x75cl) – Undervaluation = **-16.2%**

- Carruades de Lafite is an exception to the pricing rule of Bordeaux. It is less influenced by **critic score** and more by the **age of the wine** (as we often see with top Champagnes).
- Carruades can be a great investment performer, but it is important to **buy it on release when it is priced cheaply** versus back vintages.
- Of course it never hurts to buy quality, even for a wine like Carruades, and the Carruades 2018 is only equalled in modern times by the 2010 (with an average critic score of 93).
- Based on our regression analysis it is **-16.2% undervalued on release** and we expect it to correct upwards quickly to trade at least in line with the (lesser scoring) 2016, which would mean an **upwards move of almost 20% in the short term**.

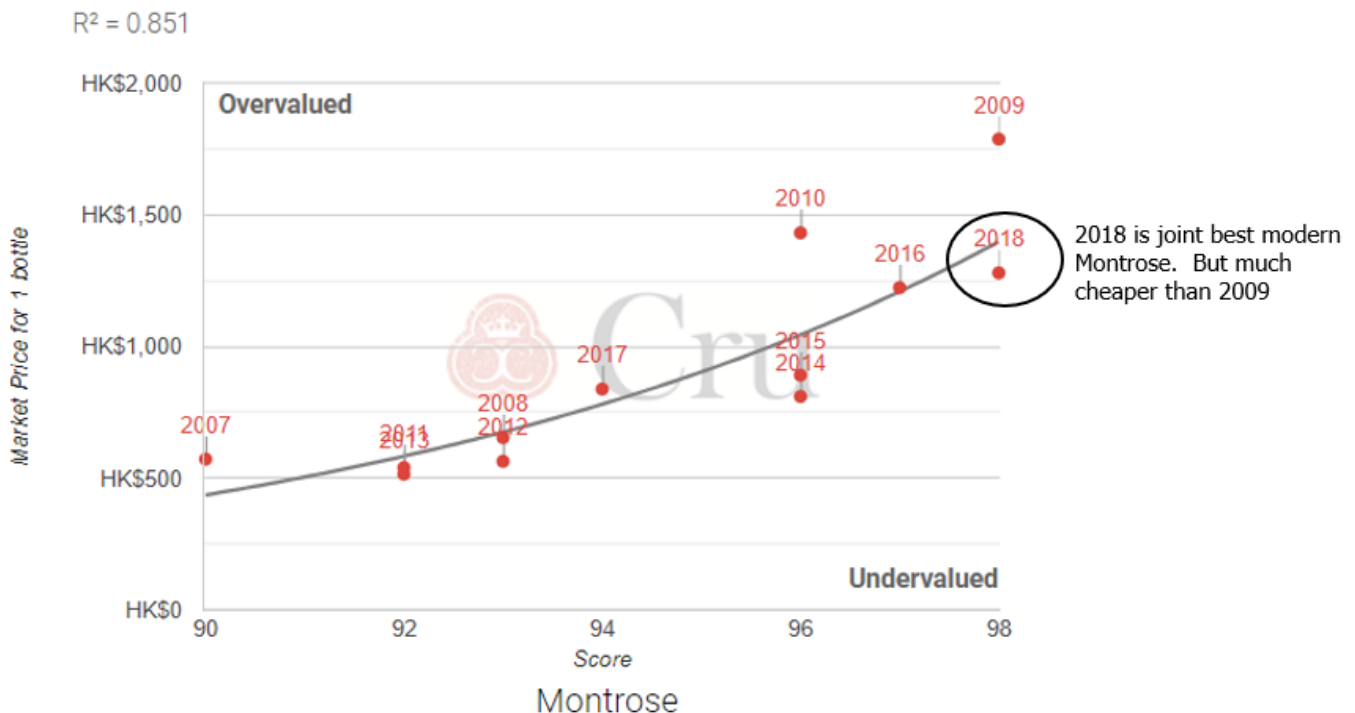


Market prices from Liv-ex.com – Scores from all leading Bordeaux critics

7. Montrose 2018 – HK\$7,795 (6x75cl)

Fair Value = HK\$8,700 (6x75cl) – Undervaluation = **-11.6%**

- Château Montrose is **priced very efficiently** in the market. An r^2 of .85 is one of the highest correlations in Bordeaux. Investors and collectors know exactly what to pay for Montrose.
- The efficient pricing makes it easy to recommend the Montrose 2018, as it is **clearly undervalued** versus the Montrose back vintage 'curve'.
- An average critic score of 98 makes Montrose 2018 only equalled by the 2009 in modern times. The 2009 market price is HK\$1,900 per bottle, which is **46% higher** than the HK\$1,300 per bottle release price of the 2018.
- We expect the Montrose 2018 to **sell out globally** and quickly move up 10-15% at least to its 'fair value' of HK\$8,700. After that we expect it to be an excellent long-term performer, tracking the 2009 higher and lasting for decades.



Market prices from Liv-ex.com – Scores from all leading Bordeaux critics

8. Lynch Bages 2018 – HK\$5,400 (6x75cl)

Fair Value = HK\$5,945 (6x75cl) – Undervaluation = **-10.1%**

- Lynch Bages secondary market pricing is polarised, with investment grade vintages like 2009, 2010 and 2016 achieving **much higher prices** than lessor vintages like 2014, 2015 and 2017.
- The Lynch Bages 2018 is therefore well placed to perform well, as it is clearly a 'great' modern Lynch Bages, but is the cheapest of the 'big four' (see below).
- Its average critic score of 97 and release price of HK\$5,400 (6x75cl) makes it the only 'undervalued' great Lynch Bages of modern times (the 2009, 2010 and 2016 are all more expensive).
- Although the regression says this is only -10.1% undervalued, we see upside in the 2016 wine as well and hence we think this wine could deliver much more than this over a 3-5 year horizon.

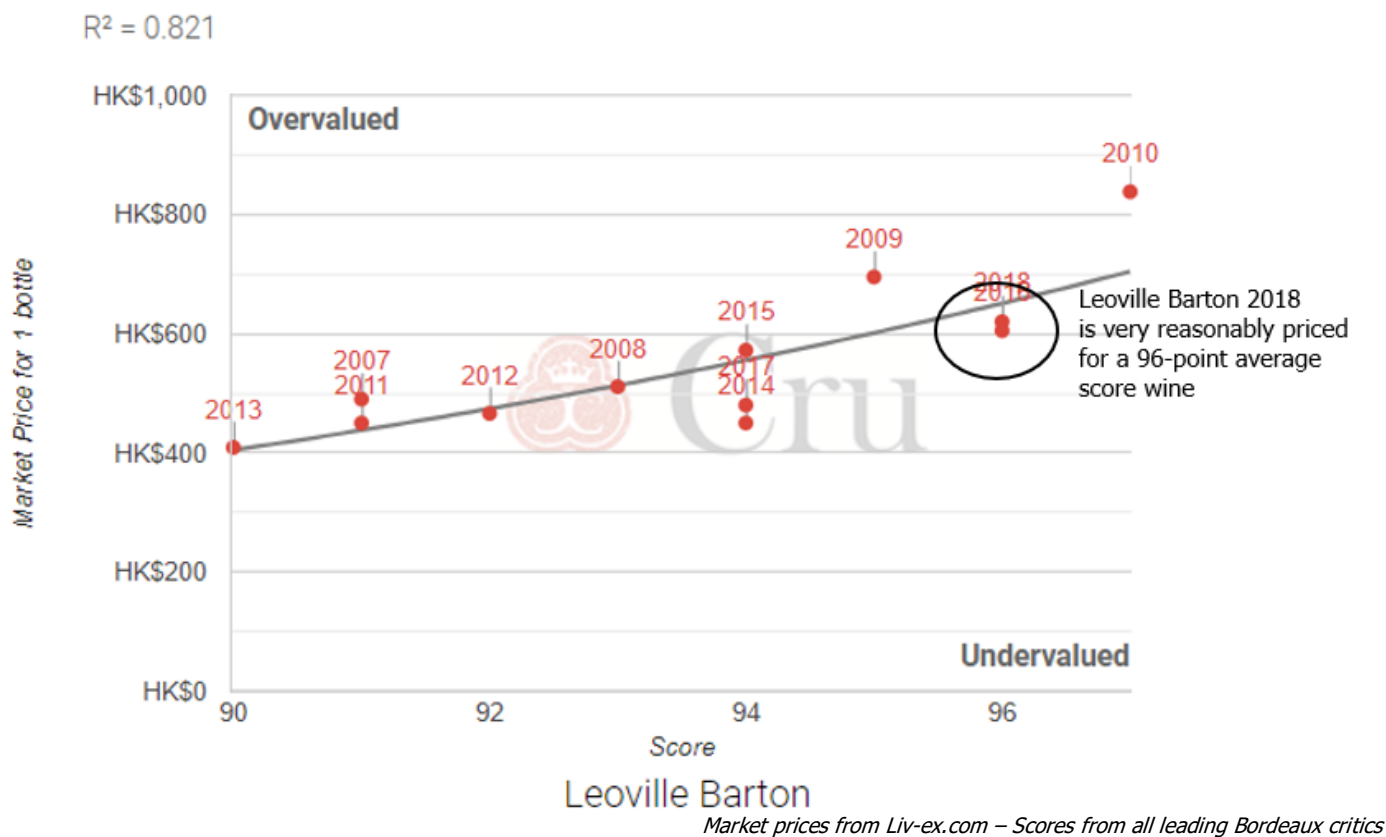


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9. Leoville Barton 2018 – HK\$3,787 (6x75cl)

Fair Value = HK\$4,020 (6x75cl) – Undervaluation = **-6.2%**

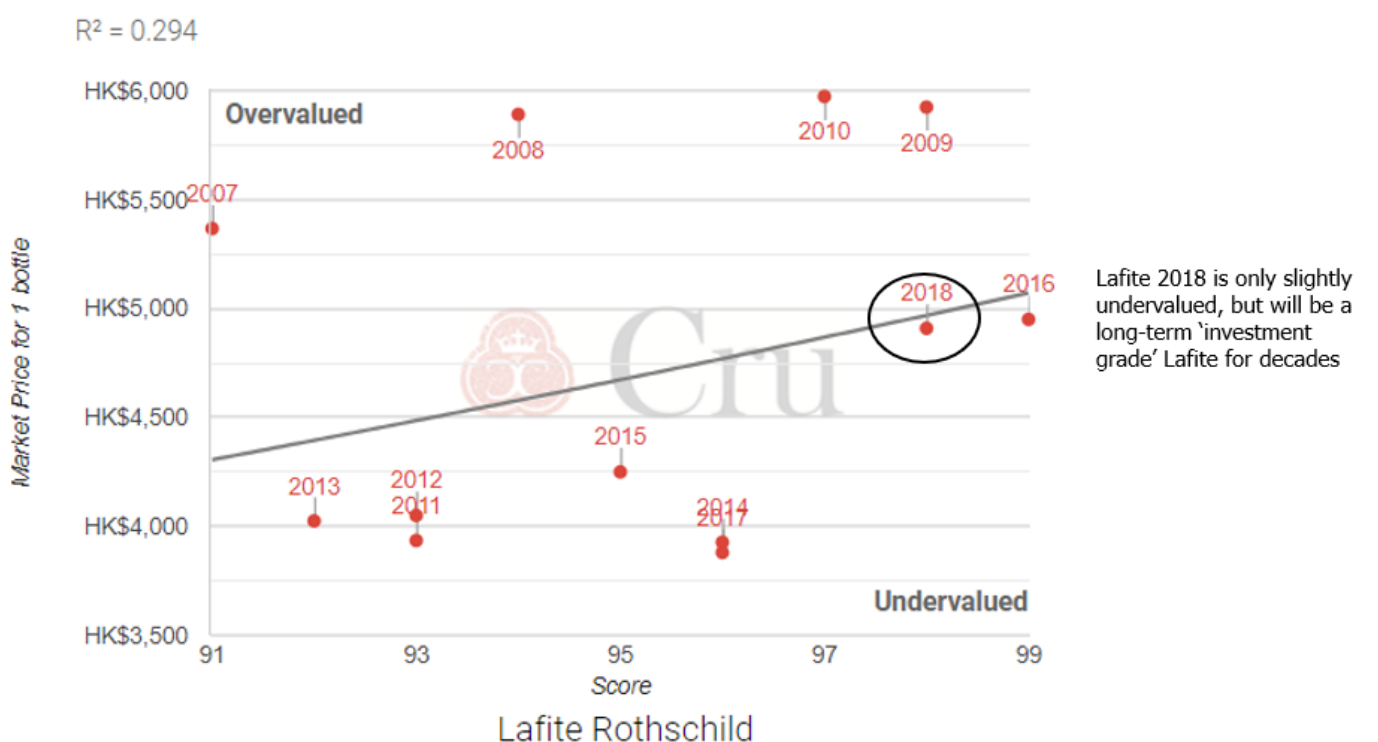
- Leoville Barton is (currently) a very affordable wine with an **adoring global fan base**. How long will it remain so cheap? The Leoville las Cases 2015 also has an average score of 96, and yet is almost **twice as expensive** (HK\$7,200 per 6x75cl) as the Leoville Barton 2018.
- Leoville Barton is quite efficiently priced by the market (see regression analysis), but it is obvious from the graph that both the 2016 and 2018 **should be higher** to be in line with back vintage pricing.
- With an average critic score of 96, this is the **joint second best Leoville Barton** of modern times (with the 2016). It shows as -6.2% undervalued on our graphs, but we think that it could **return significantly more** over 3-5 years as its global following finally drives pricing closer to that of Leoville las Cases.
- Investors might consider buying cases of 12 to minimise storage costs.



10. Lafite 2018 – HK\$29,900 (6x75cl)

Fair Value = HK\$30,955 (6x75cl) – Undervaluation = **-3.2%**

- Technically, Lafite 2018 is the least undervalued of our sample. But we like it from an investment perspective because it has **very limited downside** and some **score optionality**.
- Lafite 2018 has two chances to score a perfect mark from a leading critic (98-100 WA and 99-100 JS), and if it does achieve 100 from *Wine Advocate* it should immediately **trade above the 99 WA scoring 2016**.
- The 2018 is clearly at least as good as the 2009 and 2010, although both trade 20%+ higher. Given the minimal storage costs and limited downside, we think that a lot of global investors will see this as a core long-term holding and the wine will always be well bid.



Market prices from Liv-ex.com – Scores from all leading Bordeaux critics

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