



FINE WINE

Preserving Wealth in Uncertain Times

- This is **second time** in just over a decade that **financial markets** have **melted down**.
- Investors are increasingly wondering what the word "**value**" really means today.
- In the **Global Financial Crisis** (2007-2009) fine wine provided **excellent wealth preservation** – falling only 10-12% when **equities more than halved**.
- In the current **Corona Crisis** (2020) fine wine is again providing **great value preservation**. Fine Wine has barely budged in price, whilst equities have **collapsed more than 30%**.
- We urge investors to **consider allocating some capital to fine wine**, an alternative asset class with excellent proven **defensive characteristic** and **genuine intrinsic value**.
- We provide a **Recommended Portfolio** of ultra-high quality assets (below) to help you diversify and preserve wealth in uncertain times.

Corona Crisis: Déjà vu on Financial Markets

For the second time in a little over ten years **financial markets are melting down**. Gut wrenching volatility is destroying 'value' across **virtually all asset classes**.

Global **equities** are down over 30%. **Corporate bond** spreads have blown out. Supposed 'alternative' assets like **Bitcoin** have been ineffective in protecting value. Even formerly 'safe haven' assets like **gold** have failed to preserve wealth.

Aside from US Treasuries, only assets with genuine **intrinsic value** are providing any **wealth preserving characteristics** right now.

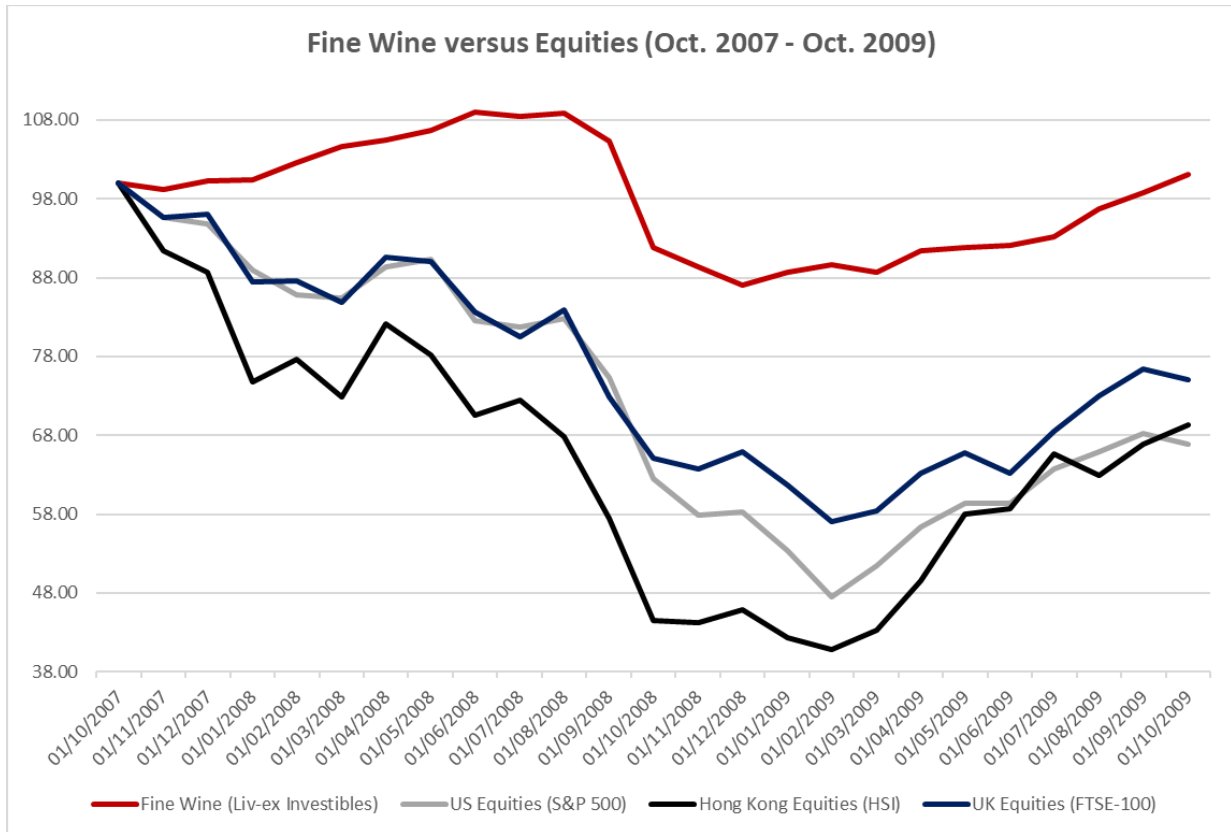
Fine wine is not a speculative asset; it is not levered; it not owned by panicking hedge funds and it has genuine use / intrinsic value. Fine wine prices have barely moved in the current turmoil.

We believe that **all investors should consider having at least a small portion of their net worth invested in an asset with intrinsic value.**

As mainstream markets tumble, the 'case' for fine wine has never been stronger.

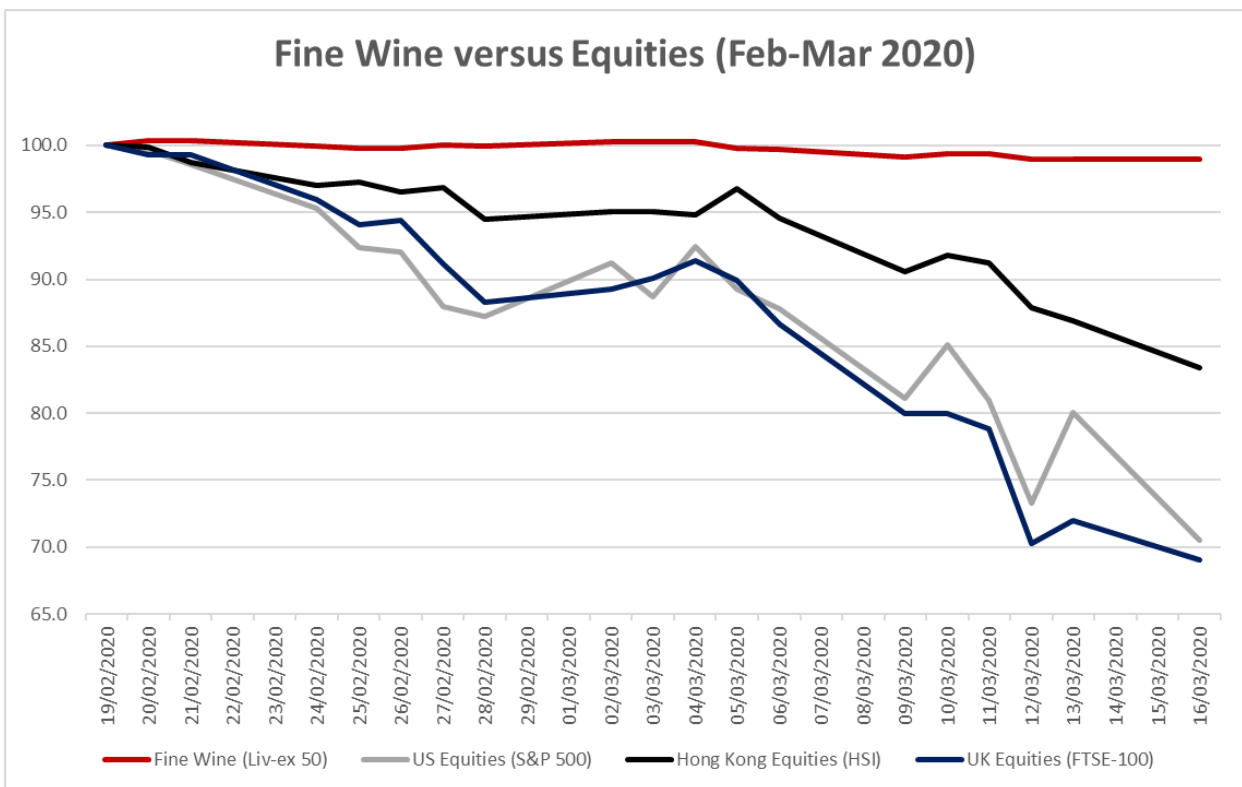
How to get started: If you find this note compelling and would like more information on getting started in fine wine please email: investment@cruworldwine.com.

Wealth Preservation Part 1: Fine Wine in Global Financial Crisis 2007-2009



Source: Liv-ex.com and Bloomberg

Wealth Preservation Part 2: Fine Wine in Coronavirus Crisis 2020



Source: Liv-ex.com and Bloomberg

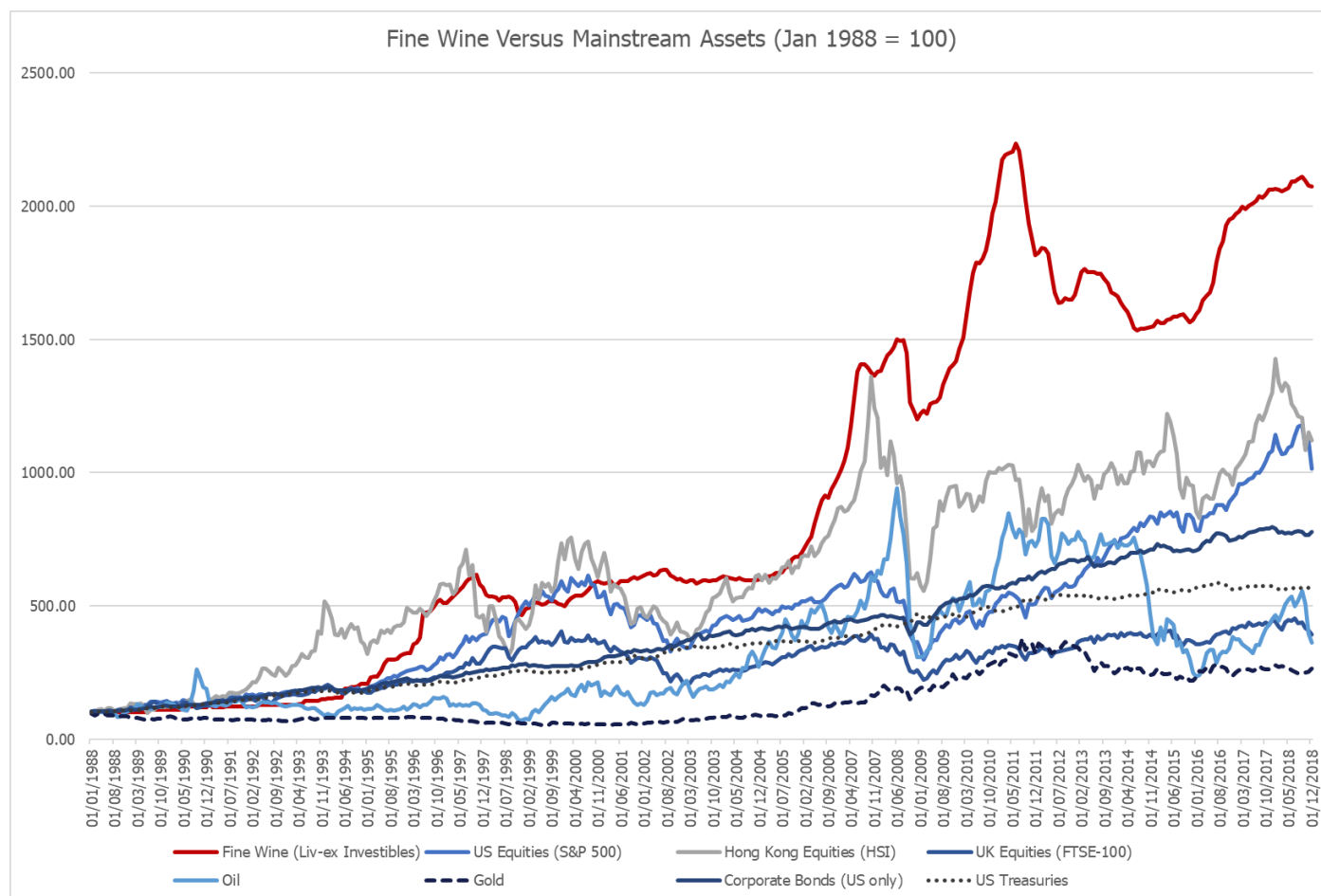
Why Does Fine Wine Perform Well in a Crisis?

- Almost all fine wine collectors say the same thing: “*if it falls in value, I will drink it*”. Almost no one in fine wine is a forced seller.
- Fine Wine is never levered. No borrowed money means no margin calls. Again, no one has to sell. (Since the beginning of the current crisis, the amount of wine offered for sale on the Cru platform has barely moved. No one is panicking to get out.)
- Drinkers provide a natural bid. Even at times of financial stress (sometimes, *because* of times of financial stress!) people keep drinking fine wine. Every day, massive quantities of fine wine are consumed around the world. If all has to be replaced, financial crisis or not.

Why Should You Do?

All private investors should **consider having a small percentage of their investible net worth in Fine Wine**. Fine wine is uncorrelated with mainstream assets and provides proven downside protection. And in a world in which inflation comes back, fine wine is strictly finite in supply, and so should hedge against that also.

Over the past quarter of a century, fine wine has outperformed most major asset classes:



Source: Liv-ex.com and Bloomberg

Questions Answered

Is Fine Wine Expensive to Invest In?

No. Investing via the Cru platform means there are **no up-front fees, no management fees and no platform charges**. You pay a small monthly amount to store your wine and you pay 5% commission on selling. That is it.

How Liquid is Fine Wine?

Fine wine is a longer term asset, like property or private equity. Liquidity can't be compared to equities at this time. But trading volumes are increasing year on year, and many of our clients are already able to 'day trade' quite successfully, buying and selling wines on our platform on a daily basis.

Is Fine Wine a Secure Investment?

Yes. Buying through the Cru platform your wine is stored in a **Government regulated third-party storage facility** (in your name) in Bordeaux, London, Hong Kong or Singapore.

Is Buying and Selling Fine Wine Complicated?

Not with Cru. The Cru platform provides **full visibility of your assets** in real time. It is all in front of you on a screen: their current value, their performance, when to drink them and a ton of other data. You can manage everything from your desktop or phone. All of this is free of charge to account holders. With Cru, you also get a dedicated (human) account manager who will assist you on all aspects of setting up your portfolio (should you require it).

How do I know what to Buy?

Our **Recommended Portfolio** (see below) provides a list of core holdings for long-term value creation / preservation. In addition, Cru provides a lot of research on what to buy and sell. All of this is free of charge.

How do I know I am getting the best Price?

Cru provides data on the market prices of most of our wines. In addition, we encourage our clients to use our platform to choose their own price and **bid for wines**. At times of market dislocation, bidding on a lot of wines simultaneously can be a great way to pick up bargains.

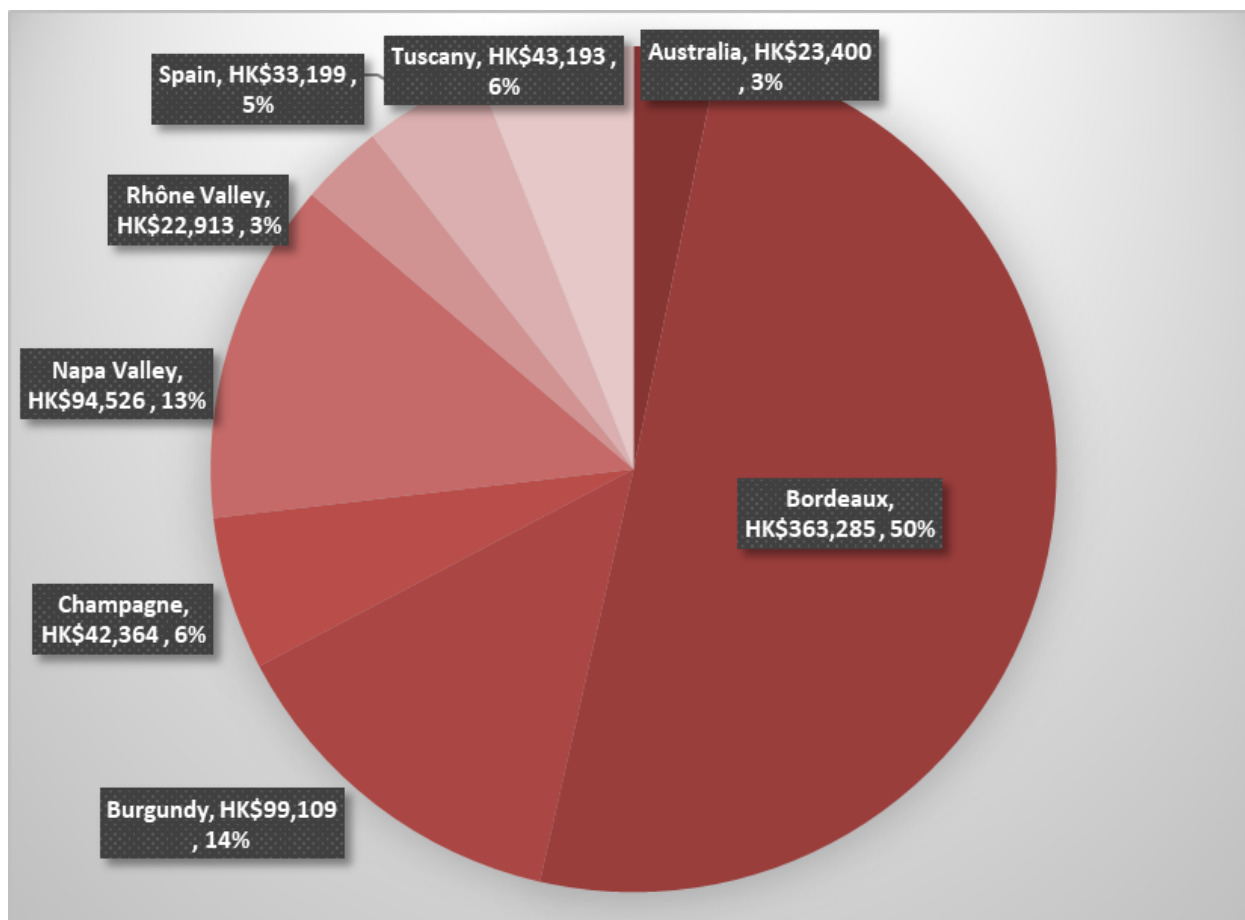
Recommended Investment Portfolio - Wines

Our Recommended Portfolio is chosen to combine the best wealth preserving characteristics and the best liquidity. It is diversified across regions and maturities. The whole portfolio costs around HK\$750k currently.

Wine	Size	Year	Region	Score	Investment Rating	Price	Comment
Penfolds Grange	(6x75cl)	2013	Australia	100 (WA)	AAA	HK\$23,400	Arguably the New World's most famous wine. Hugely collectable with big Asian following.
Angelus	(6x75cl)	2009	Bordeaux	99 (WA)	AAA	HK\$14,625	Angelus looks good value versus Cheval Blanc. 2009 remains a hugely collectable year.
Cos d'Estournel	(6x75cl)	2016	Bordeaux	100 (WA)	AA	HK\$7,800	Triple 100 point wine and a rare 100 point WA wine under HK\$10k per 6.
D'Yquem	(6x75cl)	2015	Bordeaux	100 (WA)	AA	HK\$14,138	The world's most famous sweet white wine. 100 point from famed year in Sauternes.
Haut Brion	(6x75cl)	2016	Bordeaux	100 (WA)	AAA	HK\$23,010	Graves' only First Growth. Relatively affordable for 100 point wine in this exceptional year.
Lafite Rothschild	(6x75cl)	2016	Bordeaux	100 (JD)	A	HK\$29,250	Triple 100 points plus 99 from WA. Going to be a sought after vintage for decades to come.
Latour	(6x75cl)	2009	Bordeaux	100 (WA)	AAA	HK\$46,313	Perfect wine from an almost perfect vintage. Simply a 'must own' for serious collectors
Léoville Las Cases	(6x75cl)	2016	Bordeaux	100 (WA)	AA	HK\$11,213	Quadruple 100 point wine (WA, DC, JS and JD). Still looks undervalued. Drink to 2079!
Margaux	(6x75cl)	1996	Bordeaux	100 (WA)	AA	HK\$31,688	Surprisingly affordable for this quality and age. Drinking until 2050, so plenty of time left!
Mission Haut Brion	(6x75cl)	2018	Bordeaux	98-100 (WA)	AAA	HK\$14,625	Excellent relative value versus the rest of the La Mission curve. Chance of 100 point score.
Montrose	(6x75cl)	2009	Bordeaux	100 (WA)	AA	HK\$10,725	Perfect wine from 2009. Will drink for decades, and will be collectable for even longer.
Mouton Rothschild	(6x75cl)	2016	Bordeaux	100 (WA)	AAA	HK\$24,375	Quadruple 100 point wine. Best value Mouton on market today. A must own for serious collectors
Palmer	(6x75cl)	2018	Bordeaux	97-99 (WA)	AAA	HK\$14,138	Super Second' Bordeaux from the most valuable vintage since 2000.
Pavie	(6x75cl)	2005	Bordeaux	100 (WA)	AA	HK\$14,625	Great current price momentum for this 100 point St.Emilion favourite.
Pétrus	(3x75cl)	2016	Bordeaux	100 (WA)	AAA	HK\$87,750	Probably now Bordeaux's most prestigious red wine. Expensive, but very little made.
Pontet Canet	(6x75cl)	2009	Bordeaux	100 (WA)	AA	HK\$7,313	Pontet Canet is now an essential core Bordeaux holding. Still undervalued.
Vieux Château Certan	(6x75cl)	2009	Bordeaux	99 (WA)	AA	HK\$11,700	A fantastic investment performer. "VCC" remains a perennial favourite.
Domaine Comte Vogüé Musigny Grand Cru	(6x75cl)	2015	Burgundy	95-97 (WA)	AA	HK\$48,750	Best Pinot vineyard in the world. Critics' scores are irrelevant. Tiny production and mass following.
Domaine Ponsot Clos Roche VV	(6x75cl)	2016	Burgundy	97 (WA)	AA	HK\$21,645	Burgundy Grand Cru from Laurent Ponsot. Now a 'must have' for world Burg collectors.
Méo Camuzet Echezeaux Grand Cru	(6x75cl)	2010	Burgundy	93-95 (WA)	AA	HK\$28,714	Don't worry about the lower score. This is a producer on the up and reasonable price for this vineyard.
Dom Perignon	(6x75cl)	2008	Champagne	98+ (AG)	A	HK\$6,045	2008 is the highest average scoring Dom Perignon ever.
Krug	(6x75cl)	2002	Champagne	100 (JS)	AA	HK\$13,650	2002 is destined to be a legendary Champagne year. Will last for decades.
Louis Roederer Cristal	(6x75cl)	2008	Champagne	100 (JS)	A	HK\$8,775	Three 100 point scores from JS, WE and JD. The best modern Cristal. Two more decades of drinking.
Salon Le Mesnil	(3x75cl)	2002	Champagne	95 (WA)	AA	HK\$13,894	Not about the score, you are buying the magical 2002 year and arguably the world's best Champagne.
Dominus	(6x75cl)	2016	Napa Valley	100 (WA)	A	HK\$11,700	One of the top 3 Napa Valley legends. Perfect 100 points from Wine Advocate.
Opus One	(6x75cl)	2013	Napa Valley	97+ (WA)	AA	HK\$14,625	Joint venture between Mondavi and Mouton Rothschild. Starting to become a serious investment wine.
Screaming Eagle	(3x75cl)	2016	Napa Valley	100 (WA)	AAA	HK\$68,201	Arguably Napa Valley's most iconic wine with a fierce 'cult' following
Beaucastel Hommage a J Perrin	(3x75cl)	2009	Rhône Valley	99 (WA)	AA	HK\$6,825	Special cuvee from Beaucastel - one of Chateauneuf du Pape's very best producers.
Guigal Cote Rotie La Landonne	(6x75cl)	2015	Rhône Valley	100 (WA)	AA	HK\$16,088	One of the famed 'LaLas' from Guigal. We like the 100 point rating and long-drinking window.
Pingus	(3x75cl)	2016	Spain	100 (WA)	AA	HK\$21,011	Cult Spanish legend. Perfect scoring wine and tiny production. Will always be in demand.
Vega Sicilia Único	(6x75cl)	2009	Spain	98 (WA)	A	HK\$12,188	Spain's greatest investment wine. Regarded as the Spanish 'First Growth'
Masseto	(3x75cl)	2015	Tuscany	100 (WA)	AAA	HK\$14,625	Cult Italian wine. Italy's Pétrus (Merlot-based) made in tiny quantities.
Sassicaia	(6x75cl)	2016	Tuscany	100 (WA)	AAA	HK\$11,700	2016 Sassicaia is an essential Italian holding with historic 100 point score. Now has a global following.
Solaia	(6x75cl)	2015	Tuscany	100 (WA)	AAA	HK\$12,675	A Super Tuscan from Antinori. Now becoming a world investment essential.
Tignanello	(6x75cl)	2016	Tuscany	97 (WA)	AA	HK\$4,193	One of the leading Italian 'Super Tuscan' names. Establishing an investment following.

Note: "Investment Rating" is a Cru metric which rates the overall 'investment quality' of each wine. Prices are indicative only, correct as of close on 17th March 2020.

Recommended Investment Portfolio – Regional Breakdown



Portfolio Composition Notes:

We are much less overweight **Bordeaux** than the Liv-ex.com 100 index. This is because we want to achieve better portfolio diversification. Our Portfolio is only 50% Bordeaux.

We would expect, over time, for the Bordeaux weighting to drop even further as other regions such as **Burgundy**, **Champagne** and **Italy** take an even greater share of investment capital.

In Burgundy, you will note that we do not recommend any of the super expensive wines from **Domaine Leroy**, **Domaine Armand Rousseau** or **Domaine de la Romanée-Conti**. This is not because we think these wines don't have investment merit, but because 1) we are cautious of stratospheric valuations in our current uncertain world and see better value further down the Burgundy curve, 2) liquidity in these names tends to be poor and 3) provenance risks are significantly heightened in these wines.

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