



## Château Haut-Brion 2015 – A 30-Year Investment Yielding Inflation Rate + 5%

Price (6x75cl)	<b>HK\$29,900</b>
Robert Parker	<b>100</b>
Price per Point	<b>HK\$299</b>
Price Target (6x75cl) in 2044	<b>HK\$178,000</b>
Implied Price performance	<b>Inflation + 5.0% CAGR</b>

- **Haut-Brion 2015** is the **cheapest 100-point First Growth** in the World. But **Haut-Brion 1989** (also 100 points) is one of the more expensive.
- Analysing the 'forward curve' for Haut-Brion 100-point wines implies a **5% annual return after inflation** for almost 30 years.
- 30-Year US Treasury Inflation Protected bonds ("TIPS") only yield 0.97%.
- **Drinking window** for Haut-Brion 2015 is to **2075!**

We believe that buying **Château Haut-Brion 2015** is equivalent to buying a 30-year riskless investment yielding inflation + 5%.

### That doesn't seem possible?

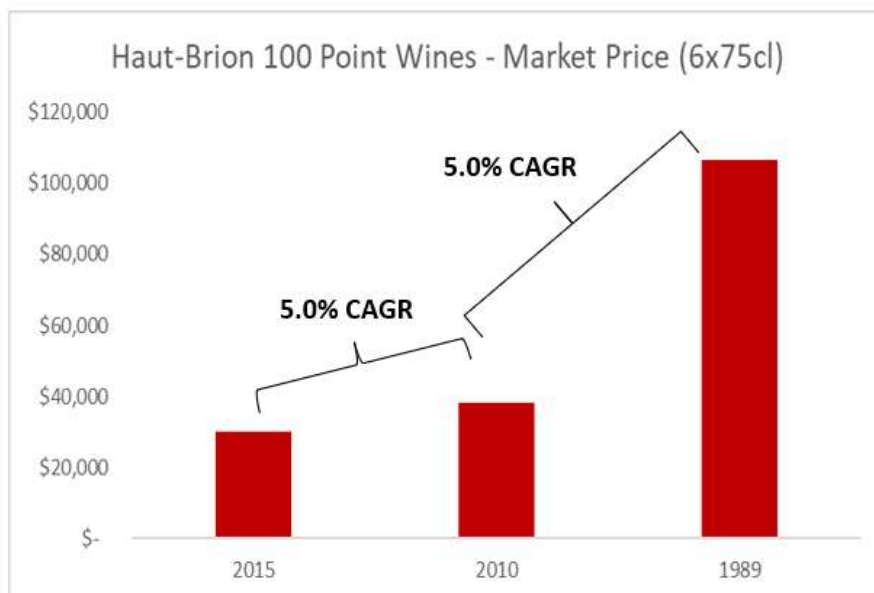
Let's look at the 'yield' part first. No wine can score more than 100 points from wine critic **Robert Parker** right?

### Obviously, keep going ...

So that means the 100-point **Château Haut-Brion 1989** and the 100-point **Château Haut-Brion 2015** are basically *the same wine*, just separated in time, right?

### I guess that makes sense

Good. So that means we can compare the market prices today of the two wines (and any other 100 pointers) and plot a pricing curve to show what today's wines will be worth in the future. These are the Market Prices today:



### That is a remarkable smooth curve!

Isn't it? But think what it implies. We know that money loses its value against assets over time (called the inflation rate). So in 2044 when Haut-Brion 2015 is as old as Haut-Brion 1989 is now, it won't be worth HK\$106,500 (current market price of Haut-Brion 1989 6x75cl) but HK\$178,000.

### Whoa! Slow down, how do you get to HK\$178,000?

HK\$178,000 is HK\$106,500 plus expected inflation of 2.1% over 26 years.

### So that means that my Haut-Brion 2015 (6x75cl) bought today for HK\$29,900 will be worth HK\$178,000 in 26 years' time?

That is what the market is telling us. We know from our 2015, 2010, 1989 'curve' that Haut-Brion 100-point wines appreciate in real terms at around 5.0% a year, and inflation is expected to be an additional 2.1%. Buying today at HK\$29,900 and growing at a CAGR of 7.1% gets you to HK\$178,000 in 2044.

### That is a very impressive yield ...

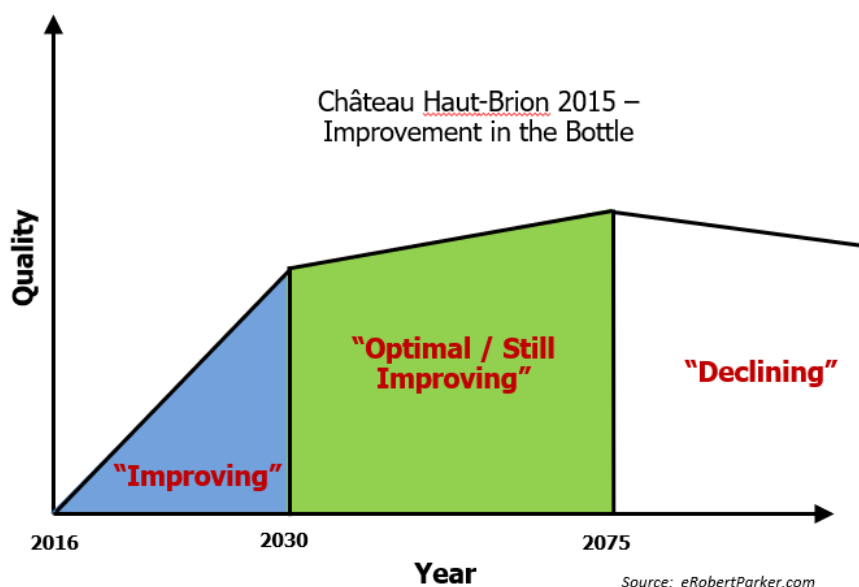
Indeed. 30-Year US Treasury 30 Inflation Protected bonds ("TIPS") only yield 0.97% right now.

### You said buying Haut-Brion 2015 was "risk-free". Can you justify that?

We can't justify that the future *price* is risk-free, because inflation could be higher or lower over the investment period. But the asset won't 'default' in the way a bond can, or a company goes bankrupt and wipes out shareholders. Provided you store with a reputable merchant (and make sure it is insured); if you buy 1 case of Haut-Brion 2015 today you are guaranteed to have 1 case of Haut-Brion 2015 in 2044. In that sense the investment is "risk-free".

### It is very hard to find very long-dated inflation protected assets with any yield, so that is impressive

Yes. It is surprising that more long-term financial investors aren't looking at this. But remember also that the 2044 'maturity' date we are looking at is only because the 1989 wine is that old. In fact, the Haut-Brion 2015 will still be improving in the bottle, according to Robert Parker, out till 2075. So, this is more like a 60-year investment.



### So I could actually hold on to Haut-Brion 2015 for much longer than 30 years?

Absolutely. There are only two older Haut-Brion wines scoring 100 points. The 1961 and 1945. Neither of these has a single whole case available for sale anywhere in the world. If you had one of those right now you could probably name almost any price.

### **But hang on, won't the cost of storage eat into these returns?**

The return numbers above are before storage costs. But because the price of wine has risen so much recently storage is no longer the factor it once was. Storing Haut-Brion 2015 with Cru in a 12x75cl format would **cost just 0.25% annually**, with this percentage potentially falling as the increase in value of the wine outstrips the increase in the storage charges.

### **So Haut-Brion 2015 does look like an extremely attractive long-term investment.**

We think so. We recommend **Haut-Brion 2015** as a **long-term, high quality asset offering inflation protected capital gain potential**.

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