



PENFOLDS GRANGE 2013: Very Solid Long-term Investment Recommendation

Price (6x75cl)	HK\$20,995
Wine Advocate	100
Price per Point	HK\$210
Price Target (6x75cl) in 2057	HK\$232,200
Implied Price performance	Inflation + 3.8% CAGR

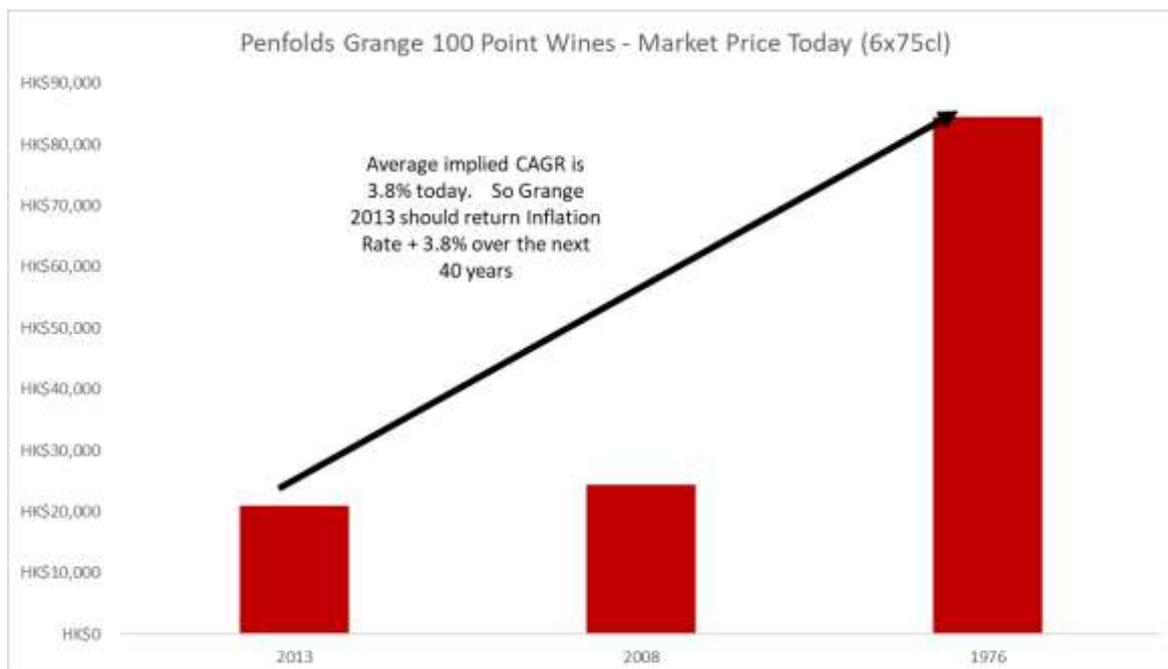
- **Penfolds Grange 2013** is only the third Grange ever to score **100 points** from **Robert Parker's Wine Advocate**.
- We are recommending Penfolds Grange 2013 as a long-term holding based on its: 1) **excellent track record** which promises at least a 3.8% real terms increase for 40 years, 2) the **discount to comparable Bordeaux wines** and 3) the **extremely long drinking** (i.e. price appreciation) **window** to 2057.

We are recommending **Penfolds Grange 2013** for three reasons:

1. Strong **long-term track record** of 100-point Granges in the past.
2. Significant **discount to comparable Bordeaux wines**.
3. This is an extremely **long-lived wine**, drinking to 2057.

How have 100-Point Penfolds Granges performed? What does this tell us about the 2013?

Penfolds Grange 2013 is only the third Grange in history to receive 100 points from leading critic **Robert Parker**. Interpolating from where the 1976 and 2008 100-point wines are trading, we anticipate a 40-year CAGR *after inflation* of around 3.8% for Grange 2013. With inflation, the projected return is 6.0% CAGR pa. This is a highly attractive return for a very **long-dated, low risk, low volatility** investment which has almost **no correlation with other asset classes**.



How does Penfolds Grange look in comparison with comparable wines?

Although it is predominantly Shiraz-based: in profile, production size, and customer base Penfolds Grange is most similar to red Bordeaux. And compared to red Bordeaux, Grange still has some catching up to do. Since 2013, only 4 red Bordeaux wines have scored 100 points (Robert Parker):

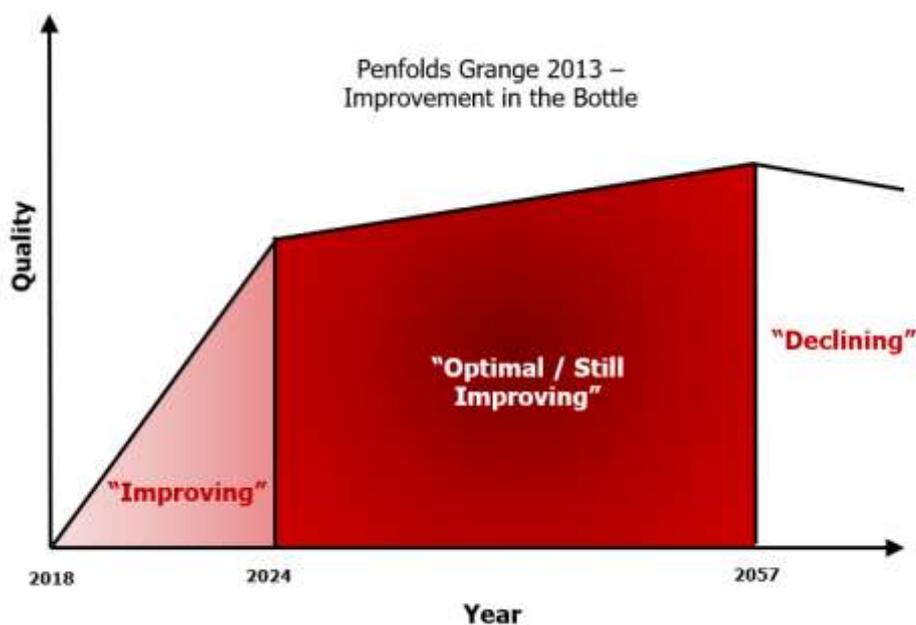
Only Four Bordeaux Wines have Scored 100 Points (RP) Since 2013

Wine	Year	Score (RP)	Price (6x75cl)
Petrus	2015	100	HK\$197,100
Lafleur	2015	100	HK\$57,024
Cheval Blanc	2015	100	HK\$31,860
Haut-Brion	2015	100	HK\$29,160
Penfolds Grange	2013	100	HK\$20,995

Compared with these four wines, Grange is clearly still inexpensive.

Does Penfolds Grange have the longevity needed for a great long-term investment?

Yes. The 'Drinking Window' for Grange 2013 is 2024-2057, making this at least a 40-year investment. As we noted recently with Haut-Brion 1961 and 1945, if you had an OWC case of Grange 1976 you would have a long queue of merchants trying to buy it from you. We predict that this will be the case with Penfolds Grange 2013 in 40 years' time!



Source: eRobertParker.com

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

Storing Penfolds Grange 2013 with Cru in a 6x75cl format would **cost just 0.34% annually**, with this percentage potentially falling as the increase in value of the wine outstrips the increase in the storage charges.

So Penfolds Grange 2013 does look like an attractive long-term investment

We think so. We recommend **Penfolds Grange 2013** as a low volatile and high quality long-dated asset. Alongside wines like Haut-Brion 2015, this should be a **core portfolio holding** for any serious collection.

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