Market Report
Wine as a solid financial asset

Wine belongs to a specific asset class. Its reference index demonstrates a lower volatility than the stock market and a better resistance to economic crisis and it provides some positive perspectives for mid- to long-term investment.

1. A sustainable asset and growing market

Investing in fine wines in mid- to long-term is one of the fundamental elements for any successful investment:

- **A sustainable asset**. human beings started drinking wines 3000 years ago, and this is the same for today and even for the future. Wine is part of our culture and accompanies the gastronomy. Therefore, it is clear that wine is a sustainable asset.

- **A growing demand**. Wine represents the improvement in our living style. We observe that the general enhancement of quality of living, especially in developing countries, brings an increase in wine consumption. Besides that, the richer consumers become, the more they become interested in quality and high-end wines, which eventually increases the demand of Grands Crus. Therefore, the rising demand of Grands Crus in China is just a start: on one hand, it's because the Chinese average purchasing power is increasing constantly and on the other hand, it's because of the current low penetration rate in the market. Moreover, tomorrow's economic giants are the developing today's developing countries, who are just about to experience a cultural (r)evolution of wines (India, 2nd global economy power in 2030 after China, Brazil the 6th one). Finally, the American market is definitely a mature market on Grands Crus distribution but the consumption level per person is still far lower than that in the European market; thus this is still a market with a strong inherent growth potential.

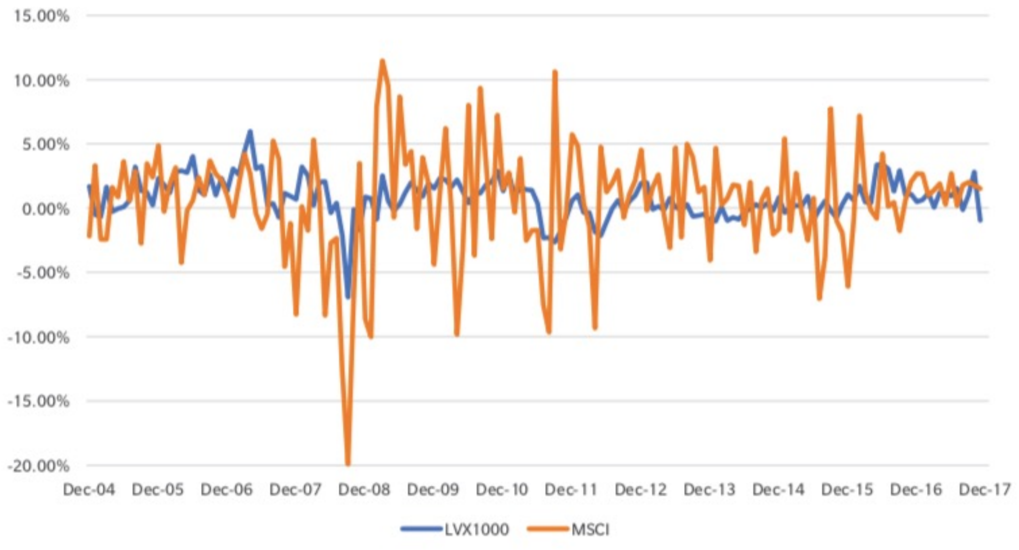
- **A scarcity and a limited production capacity**. Wine production is limited, so the price is naturally increases. Consequently, some wines become inaccessible. Consumers are looking at other wines which bring better value and investment opportunities in emerging regions (such as Rhône Valley, Languedoc and Italy).

2. An asset with a better resistance

The wine index reference generally follows the major equity markets, but the correlation degree is limited. The graph below indicates that the volatility of traditional financial markets is systematically higher than that of the Liv-ex 1000*. The fluctuation is present but it is far less significant when facing crises over a long time period.

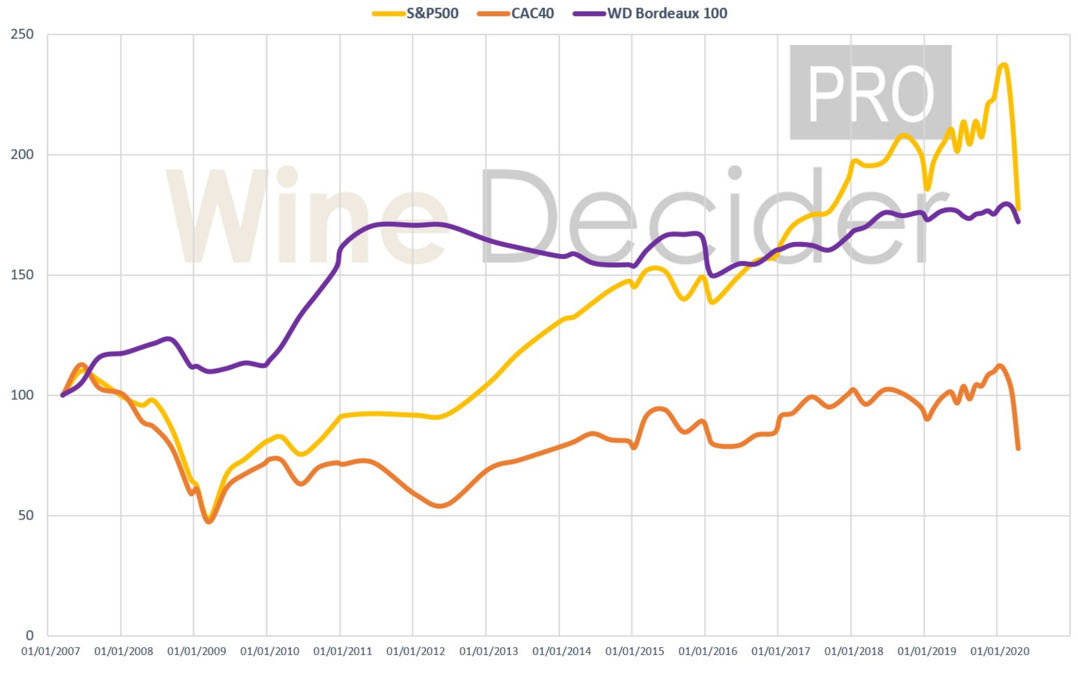
**The Liv-ex Fine Wine 1000 tracks 1,000 wines from across the world using the Liv-ex Mid Price. It comprises seven sub-indices: the Bordeaux 500, the Bordeaux Legends 40, the Burgundy 150, the Champagne 50, the Rhone 100, the Italy 100 and the Rest of the World 60.*

Volatility of MSCI World Index VS. LIV 1000 from 2003 to 2017



We can observe the same situation with the current COVID-19 economic crisis. Comparing the equity market index with Wine Decider Pro of Bordeaux wines or general Liv-Ex 100 and Liv-Ex 1000 index, wine resists better to the financial shock and shows its reliability and stability as an asset.

Wine Decider Pro Index versus S&P500 and CAC40



Wine Decider Pro: index of French fine wine market.

Liv-Ex 1000 and Liv-Ex 100 index versus financial index

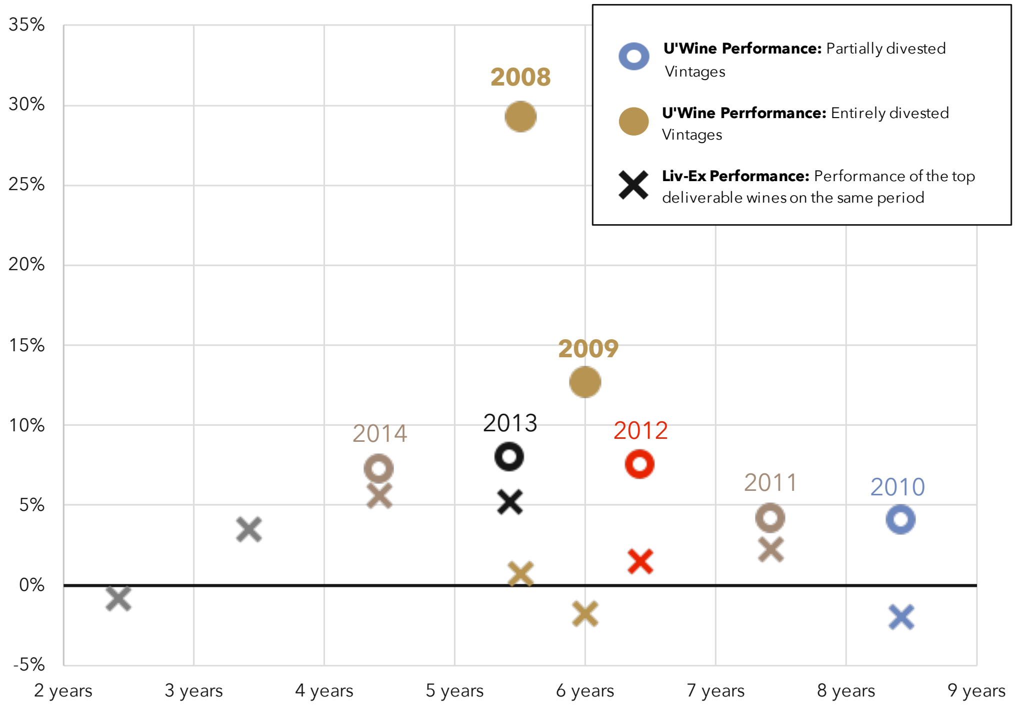
Series	Current value	6m	12m	2y	5y
FTSE 100	5,876	-20%	-11%	-10%	-5%
DAX	8,742	-29%	-21%	-25%	4%
Hang Seng	23,064	-14%	-17%	-24%	4%
Crude Oil	30	-51%	-45%	-48%	-8%
Liv-ex Fine Wine 100	303	-3%	-2%	-3%	25%
Liv-ex Fine Wine 1000	343	-5%	-4%	3%	40%

3. Overperforming U'Wine model

A study of the U'Wine average portfolios performances clearly shows that they deliver a better return than the Liv-Ex 100 index that we choose to benchmark against.

Annual Gross Return for each vintage of U'Wine portfolios versus Liv-Ex 100

(Average data as of January 2020)



- Annual Gross Return in the vertical axis, and the investment period in the horizontal axis.
- Performance is the difference between the resale price for the divested wines and the average purchase price of En- Primeur/Allocated wines paid by the Clients.
- The Liv-Ex Fine Wine 100 is the main index for wines. It reflects the changes in the prices of the most traded wines on the Liv-Ex platform.
- Example: the red point "2012" shows that the 2012 Vintage has achieved an annual gross return of 7.5% for an investment period of 6.5 years, or a total gross return of 48% (7.5% x 6.5). The Liv-Ex Fine Wine 100 in the same investment period has a 1.5% annual performance (cf. the red cross).

U'Wine model overperforms Liv-Ex 100 for different reasons:

- **A rigorous selection of wines** by the Selection Committee.
- **A sourcing strategy that diversifies wines** with portfolios composed of Bordeaux, Burgundy, Rhône Valley and other wine regions.
- **A model based on En-Primeur/Allocation purchase**, that guarantees the purchasing price and is very different from a more trading-oriented model like Liv-Ex (traded wines).

In conclusion, fine wines can be an original, credible and strong alternative as it is disconnected from traditional financial markets. They represent an excellent patrimonial diversification as tangible assets with a performance potential and a sustainable market. They can be a safe asset against short-term extreme volatility and a guarantee for a long-term return. They finally belong to a consumption market that keeps on growing every year through the global demand. The U'Wine model focuses on En-Primeur purchase which provides better robustness, performance and return to its investors.