

Investing in Wine

Wondering how best to invest that £10,000 – or more – you have spare? Fine wine boasts one of the best performing asset classes of the last 20 years. And with the most expensive lot of wine ever sold going under the hammer in October (at a Sotheby's auction in Hong Kong 114 bottles of Romanée-Conti Burgundy went for £1,035,000 – around £9,800 a bottle), buying high-end cases could be the answer to a luxurious early retirement. There are risks, of course, but here are seven top tips to help navigate around the most common pitfalls.

1. Only invest what you can justify losing ... or drink

Most experts agree that in order to stand the best chance of making a decent profit on fine-wine investment you should set aside upwards of £10,000. The same rule for any investment applies: do not use money which is likely to be necessary for your living in the short or medium term. Only spend what truly won't be missed. Returns are not guaranteed, however, grade wine is a valuable commodity and sales are increasingly impressive.

2. Purchase the very best you can afford

Some would insist you stick to the main châteaux of Bordeaux, and that's an excellent tip, at least in terms of the likelihood of turning a decent, steady profit (Bordeaux Grand Cru Classés account for the largest part of the investment-grade market for fine wine at around 75 per cent). Certainly if both the vintage and provenance are good then you are likely to be quids in. The key is to invest in wines with a record, those which have a truly global secondary demand.

3. Always check prices

The cost of investment-grade wines can vary dramatically, by as much as 20 per cent. Therefore, when buying for investment it's vital to shop around and sniff out the best market price. It is easier to check prices online these days. Make sure you do your homework, even if you choose to invest with a merchant. Provenance and quality is crucially important to determine – and prove – the value of your investment.

4. Invest for a minimum of five years

Fine-wine investment has almost always produced positive absolute returns in every five-year holding period, ever since the first recorded, back in 1999. When compared with global equities, fine wine outperformed 98 per cent of the time over any given handful of years. The best investment-grade wines are produced in small quantities (up to a maximum of 20,000 cases) and it's the demand-supply imbalance brought about through their consumption that drives prices higher over time. There is a finite number of bottles in existence, and for the best returns a medium or long-term view needs to be taken. As the wines mature and improve they also become rarer and more desirable – which drives prices ever higher.

5. Store the wine you buy in government licensed bonded warehouses

When buying a precious asset such as fine wine – preferably in unmixed, sealed cases using original wood – it is of paramount importance to ensure your bottles are stored professionally and correctly, in the right conditions. In doing so, you will help guarantee

the future value of the wine when you come to sell. The best way to prove unquestionable provenance is to store fine wine in wooden cases 'in bond' (IB), which means in a bonded, 'duty-paid' warehouse such as London City Bond or Octavian Vaults. These bonded warehouses provide the optimum environment for storage, with the temperature, humidity and other microclimatic factors carefully regulated.

6. Approach *en primeur* wines with caution

Commonly referred to as 'wine futures', *en primeur* is the process of purchasing wine while still in the barrel, with bottling and physical delivery likely to occur two or three years later, after the vintage release. Traditionally this was believed to be the best way for investors and collectors to buy classified growth Bordeaux as it typically offers the chance for collectors to acquire stock at the lowest market price. Such wines also offer the greatest security of provenance, as collectors can deal with the châteaux directly. However, buying *en primeur* means committing to the wines are at their youngest - with all the maturing to do, before the final blend and oak-ageing is complete - and risk-fraught. The actual bottled product may turn out better or worse than then initial barrel samples indicated. As a rule, do not buy *en primeur* in advance of the prices being published. And if you are going to have a dabble with these young wines, only do so with blue-chip merchants with a good track record.

7. Be aware of the tax benefits and speak to an adviser

Fine-wine investment is often advertised as 'tax-free', due to it being exempt from capital gains tax - it is deemed a wasting asset 'whose predictable life does not exceed more than 50 years'. While fine wine certainly can be considered more tax-efficient than other forms of investment, there a number of key considerations to make and it is crucial to observe that legislation in this area is not always black and white. It's best to consult with a tax adviser to see how to make the most of fine wine as an asset.

Adapted from www.telegraph.co.uk

Ex. 1 Find the words or expressions in the text which mean the following:

1) to be proud of sth: _____

2) traps, problems: _____

3) more than ...: _____

4) profits, e.g. from an investment: _____

5) to buy sth: _____

6) documentation of sth: _____

7) of the highest value: _____

8) a person whose job it is to buy and sell things: _____

9) a document that states the origin of sth: _____

10)capital: _____

11)to be better than everyone else: _____

12)laws: _____

Ex. 2 Match the expressions from the two columns into logical collocations:

- | | |
|----------------|---------------------------|
| 1) an asset | warehouse |
| 2) to go under | demand |
| 3) to make | supply imbalance |
| 4) to turn | asset |
| 5) secondary | out the best market price |
| 6) investment- | class |
| 7) to sniff | the hammer |
| 8) the demand- | a profit |
| 9) a bonded | a decent profit on sth |
| 10) a precious | grade wines |

Ex. 3 Provide English equivalents of these expressions:

1) z górnej półki	7) najchętniej
2) wyjść na swoje	8) coś jest niezwykle ważne
3) rozeznąć się na rynku	9) zapewnić coś
4) dobrze się przygotować	10) niepodważalny
5) okres przechowywania	11) zobowiązać się do czegoś
6) ograniczona liczba	12) środki zużywalne

Grammar corner...

This text is very **adjective-packed**, i.e. packed with adjectives. However, they are not your usual adjectives that are just one word, they're compound adjectives, which means they are made of two or more words. Using compound adjectives is a very **time-efficient** way of shortening your sentences - a **much-desired** skill in business English. The rule is quite simple, you just put two words next to each other and use a hyphen (-). So instead of saying that using compound adjective is a skill that is desired by many people in business English, you just say it's a much-desired skill:-)

Ex. 4 Fill in the sentences with ONE word.

- 1) Guys, come over for a movie night! I just bought a high-_____ home entertainment system, so it's gonna be fun.
- 2) He's a world-_____ writer and his books are read by millions.
- 3) Fine-_____ investments are almost always likely to bring profit.
- 4) Prices start behaving in a strange way is there's a supply-_____ imbalance.
- 5) In the long-_____, buying real estate is one of the best ways to spend money.
- 6) We will only agree to deliver early if you agree to the *duty*-_____ option.
- 7) Investing on the stock market has always been risk-_____.
- 8) Blue-_____ companies are the biggest companies on the stock exchange.
- 9) Wine is believed by many to be a tax-_____ investment.
- 10) A good accountant will always come up with tax-_____ ways for you to run your business.

GLOSSARY	
to boast (about) sth	szczyścić się czymś
pitfalls	problemy, pułapki
upwards of ...	ponad ...
returns (e.g. on an investment)	zwrot z inwestycji
to purchase sth	zakupić coś
a record of sth	dokumentacja czegoś
blue-chip	godny zaufania, najwyższej jakości
a merchant	kupiec
provenance	świadczenie autentyczności
equity	kapitał, wartość
to outperform	zdeklasować
legislation	prawodawstwo
an asset class	rodzaj / klasa aktywów
to go under the hammer	iść na aukcję
secondary demand	popyt na rynku wtórnym
investment-grade wines	wina najwyższej klasy, nabywane jako inwestycja
a bonded warehouse	skład celny
a precious asset	wartościowy składnik aktywów
high-end	z górnej półki
to be quids in	zarobić, wyjść na swoje
to shop around	rozeznąć się na rynku
holding period	okres przechowywania
a finite number of sth	ograniczona ilość czegoś
preferably	najchętniej
sth is of paramount importance	coś jest niezwykle ważne
unquestionable	niepodważalny
to commit to sth	zobowiązać się do czegoś
wasting assets	środki zużywalne

en primeur	transakcje typu futures na winie
to stand a chance to do sth	mieć szansę na coś
a commodity	towar
vital	ważny
sealed	zapieczętowany
humidity	wilgoć / wilgotność
a barrel	beczka
to be fraught with risk	być nękanym przez różne zagrożenia

ANSWER KEY:

Ex. 1

- 1) to boast (about) sth
- 2) pitfalls of sth
- 3) upwards of ...
- 4) returns
- 5) to purchase sth
- 6) a record of sth
- 7) blue-chip
- 8) a merchant
- 9) provenance
- 10) equity
- 11) to outperform
- 12) legislation

Ex. 2

- 1) an asset class
- 2) to go under the hammer
- 3) to make a decent profit on sth
- 4) to turn a profit
- 5) secondary demand
- 6) investment-grade wines
- 7) to sniff out the best market price
- 8) the demand-supply imbalance
- 9) a bonded warehouse
- 10) a precious asset

Ex. 3

- 1) high-end
- 2) to be quids in
- 3) to shop around
- 4) to do your homework
- 5) a holding period
- 6) a finite number of sth
- 7) preferably
- 8) sth is of paramount importance
- 9) to ensure sth
- 10) unquestionable
- 11) to commit to sth
- 12) wasting assets

Ex. 4

- 1) end
- 2) class
- 3) wine
- 4) demand
- 5) term
- 6) paid
- 7) freight
- 8) chip
- 9) free
- 10) efficient