

# Buying & Investing in WINE

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Jancis Robinson

The FT wine expert looks at the difference between youth and age – one of the most absurd aspects of the current fine wine market



## Hopes rise again after correction

It is a year since the First Growth bubble burst but the market learnt from 2008 and is keeping its nerve, says **John Stimpfig**

A sense of déjà vu has been the overriding feeling for wine investors over the past 12 months. This has been largely thanks to last year's sharp correction in fine wine prices, which sent the Liv-ex 100 Fine Wine Index plunging a fifth in the second half of 2011.

To many, it was a virtual rerun of what happened in 2008.

Once again, the causes of the correction were not difficult to dissect. On the macro front, recession, stock market volatility and the eurozone sovereign debt crisis were all factors. But the final tipping point was First Growth prices, which had shot out of control after a two-year bull run, during which the Liv-ex 100 index had risen by a staggering 76 per cent.

Much of this price increase had been driven by soaring Chinese demand, led by Château Lafite. But by the middle of 2011, the slowdown in the Chinese economy coincided with concerns that prices had already overshot demand. This was especially true in Hong Kong, where the retail and auction markets for First Growth claret had become saturated.

A mishandled and aggressively priced 2010 primeur campaign also did the Bordeaux market no favours. Instead, it only fuelled resentment and accelerated a feeling of "First Growth fatigue". As the market turned from July onwards, investors and collectors became



On the rack: recent vintages were hit hard by the slowdown in the Chinese market but some fund managers now predict double-digit growth in the market this year

Dreamstime

increasingly spooked; the only question then was how quickly and by how much prices and the Liv-ex Index would recoil.

Inevitably, recent vintages of Lafite took the biggest hits. Having traded at a premium of 129 per cent to its fellow First Growths, some vintages, such as the 2008, slumped by 45 per cent. Latour, Haut-Brion, Margaux and Mouton fared less badly, but they too suffered dents to their pride and prices.

Some had seen the writing on the wall. Most obviously, several funds had already quietly moved out of Lafite. Merchants also sought to reduce stock levels from the late summer. But many newer and more specula-

tive investors were caught unaware. After two years snapping up First Growths in a rapidly rising market, many were now equally keen to offload them as the waters subsided.

Fortunately, the market had learnt some lessons from 2008. This time, many investors, traders and fund managers kept their nerve and the sell-off was nothing like as disorderly and panic-stricken as before. Nor was there the same level of redemptions from funds.

But the correction was serious and prolonged. In the final six months of 2011, the Liv-ex 100 fell 21.5 per cent to end the year on 286 points – a year-on-year drop of 15 per cent. As Liv-ex's

Justin Gibbs pointed out: "With a weighting of 68 per cent in the 100 Index, the decline in the First Growths cast a long shadow on the market."

It wasn't all bad. Some second-line châteaux benefited from a flight to value and performed extremely well, even managing to finish the year on a positive note. These included the increasingly fashionable Pontet-Canet, Beychevelle, Lynch-Bages and Pichon Baron.

However, if Bordeaux took a step back in 2011, ultra-fine Burgundy took a huge stride forward. As seems to be the case these days, this latest phenomenon was almost entirely due to new demand from China –

driven mainly by a few super-rich buyers who had developed a powerful thirst for the region's greatest names. Inevitably, top of their shopping lists was the Domaine de la Romanée-Conti (DRC), which quickly took over Lafite's mantle as the darling of the secondary market.

Given DRC's legendary quality and scarcity, prices rocketed causing the Liv-ex DRC Index to hit record highs from 2011 onwards. In May 2012, it rose another 2 per cent and is now up 19 per cent on this time last year.

Other Burgundy domaines were also swept up in the frenzy, including de Vogue, Leflaive, Roumier and Rous-

seau. To some this was further evidence of a Bordeaux backlash and a broadening of the market. The same was true of a price rise for top Italian wines. Here, the leading contenders were the likes of Sassicaia, Ornellaia, Masseto and Solaia.

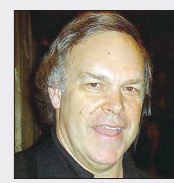
However, both Burgundy and Tuscany are simply too small and modish to satisfy the demands of the global market over the long term. Equally, it would be foolhardy to write off Bordeaux for too long. Great Bordeaux is a like the timeless "little black dress" which never goes out of fashion. Ultimately, Bordeaux is all about price. If

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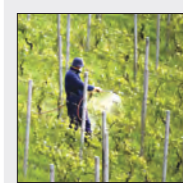
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## Buying & Investing in Wine

# Parker's nose is not as big a pointer as it was

### Critics and pricing

The inventor of the rating scale is still controversial, says Maggie Rosen

Robert M Parker Jr, the influential US wine critic, has been called guru, emperor, pope, and other names – not all of them so reverent.

Since the late 1970s, when he began publishing his tasting notes and launched a 100-point ratings scale, he has redefined the role of wine reviewer.

Through the pages of his newsletter The Wine Advocate, Parker has influenced not only his readers' preferences, but many aspects of the fine wine industry – from vinification techniques and wine styles to pricing.

His name is now a verb (Parkerise) used for the creation of a style of wine that pleases his taste: invoking it can transform a roomful of convivial wine geeks into a verbal mosh pit.

Yet he is now 64, and the wine

world has grown beyond his capacity to cover even the very top end by himself.

In the past few years, he has expanded his team, ceding regions to new tasters; he has also been embroiled in allegations of impropriety involving trusted associates.

Both the world of communication and taste-formation have changed – all of which fuels the ever-lively debate, among Parker followers, about whether he still sways palates and prices.

Jaime Araujo, founder of Teravina, the wine marketing consultancy, says: "He is not as relevant to the younger generation of high-end buyers, who don't collect in the traditional way, by finding a few sure values, getting on the distribution list and repeating each year."

"This reflects the luxury sector in general, whether you are talking about young Chinese, young Americans, young French. They all want the top brands, but it's rare to find a 'Chanel and nothing else' buyer. They want some Chanel, some Dior and some vintage that no one else has."

For a certain type of fine wine buyer, one who is just starting or who prefers to rely on numbers rather than experiment – and certainly for regions such as Bordeaux (which Parker still covers) and California (which he has delegated) – Parker points remain the bellwether of a wine's taste and traceability.

"He still sets the bar in Bordeaux," says Chris Adams, chief executive of Sherry-Lehmann, the New York wine merchant. "Positive comments on a wine that has been released will cause an increase in price and negative comments will cause prices to stagnate."

The Wine Advocate also remains the benchmark for Californian wines.

"Sometimes, if The Wine Spectator gives a very high rating, we'll get a few calls, but Parker steers sales," says James Hocking, director of The Vineyard Cellars, an importer, distributor and retailer of Californian wines based in Newbury, UK.

"But really no one else comes close. If Parker gives 95 points or more, the phones don't stop," says Mr Hocking. Many of his clients follow Parker "slav-

ishly", delaying purchases until he pronounces, he adds. "When a new container arrives and I call my private clients, I know the conversation will start with 'what are the scores?'"

Calculating the impact of Parker points on futures and bottled wine is a popular game, made more challenging by factoring in vintage, economic climate and especially, rescoring. "You can't really quantify the correlation in dollars but you can in percentage points," says Adams, citing Parker's recent upgrade to 100 points of numerous 2009 Bordeaux (more than he gave to any other vintage).

To compare, Château Latour first growth was released at about €540 and the far less famous Château Smith Haut Lafitte, a Graves classified growth was released at €62.

"When they both got 100 points, the price increase for both was around €100 but, obviously, for Smith Haut Lafitte, the percentage increase was astronomical," says Mr Adams.

But for Henning Thoresen, chief executive of Bordeaux Winebank Group, which sells futures, ex-cellar Bordeaux and

manages wine investment funds, it is precisely the possibility that Parker may change his mind that reduces his reliability for long-term investment purposes, as opposed to speculation. "For me, his influence is declining," says Mr Thoresen.

"One key reason was how he handled the 2005 vintage. He hyped the vintage, but none of the numbers lived up to the expectations. "When he released his final scores after retasting in 2008, all the potential 100-pointers were downgraded, which caused a lot of jaws to drop."

Mr Thoresen also says that this year many châteaux released their prices ahead of Parker's pronouncements indicating his diminishing relevance. Some observers say it reflects producers attempting to exert control over prices in a lesser vintage.

Determining the impact of Parker points on auction prices is harder, because of issues of provenance and condition.

"I really don't think there is a correlation," says Charles Curtis MW, Christie's head of sales for Asia. "This is strictly anecdotal,



Robert M Parker

## Hopes rise after last year's correction

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the wines are perceived as offering value, they will sell.

By January, many believed Bordeaux prices were back in the "buy zone" and that the recovery was only a matter of time. IG Wines reported European buyers returning to the market and First Growth "off" vintages starting to pick up at £300 a bottle. It also noted bid offer spreads were tightening, as buyers began to exceed sellers by two to one. By the end of January, the Liv-ex 100 Index had recorded its first positive month since June 2011.

Fund managers became increasingly optimistic as the Chinese year of the Rabbit gave way to the Dragon. Andrew della Casa of The Wine Investment Fund predicted the market would grow by a steady 10 per cent by the year end.

"Falls such as those in 2011 have generally been followed by strong returns for those investing at the right time," he said. "We believe this could be the 'right' time and predict double-digit growth this year."

Much of this cautious optimism was predicated on new money flowing into the market, and on two other factors. The first was Robert Parker's latest revised scores for the highly regarded 2009 vintage, which provided a timely fillip to prices.

The second was a quick and well-priced en primeur campaign, though this had yet to happen by the middle of May. Since January's initial rise of 1.4 per cent, the Liv-ex 100 Index continued to climb closing the first quarter up 2.5 per cent.

But after disappointing early en primeur release prices, it fell

in April by 1.2 per cent. "So far, the recovery has been pretty anaemic at best," says Mike Laing, managing director of Armit, the London-based fine wine merchant. "I'm not sure where the game-changer is going to come from."

"It's a very tricky market," says Gary Boom, managing director of Bordeaux Index's. "There is still a fair amount of stock around and returns haven't been great. That's partly because the big redemptions that took place three years ago have yet to be matched by new money flowing in. I think that will continue for some time."

Mr Boom's view is that the main indices will only do plus or minus 3 per cent to the end of the year. "After that, it's difficult to predict," he says. But he is confident that "the market will resume its upward trend at some future point."

Mr Boom is launching his own small "First Growth Wine Fund" this month. "I think the time is right for certain stocks, including a limited number of high-scoring First Growths from the 1990, 1996 and 2000 vintages. At the moment though, it's very much a stock picker's market."

Nevertheless, there are some short-term bulls. One is Peter Lunzer, manager of Lunzer Wine Investments. Lunzer's figures suggest to him that a lot of mature wines are slightly behind their natural price curve and will benefit from an expensive en primeur campaign.

He predicts the market "will put on between 14 and 18 per cent by the end of the year."

Such a recovery would certainly be celebrated by investors. But, in the world of wine investing, only time will tell.



Fine growth: an auction in April this year in Hong Kong, which is outpacing rivals New York and London with a rise of 40.9 per cent year on year

## 2011 was a good year with a slow finish

### Auctions

Ella Lister says that prices for commodity Bordeaux, not ready to drink, had reached untenable heights

The world of wine auctions underwent big shifts in 2011. Many in the trade believed the sudden turnaround in fortunes midyear was a necessary – even welcome – rationalisation. With some wines' prices more inflated than others, the correction brought a reassessment of their relative value and desirability.

For the first half of 2011, auction revenues continued the unwavering ascent seen the year before, and by June were up 58 per cent year on year. July and August are traditionally quiet months but, as the autumn season began it became clear that auctions were not impervious to the wider correction in wine prices.

With a two-month delay, the Wine Market Journal (WMJ) 150 index – which tracks prices at auction – began its descent in September. By year-end the index had dropped 5.8 percentage points.

Global auction revenues in the second half were down 7 per cent on the

same period in 2010, bringing the 2011 total to \$467.3m. This figure nonetheless represents a 20 per cent increase on the previous year, because of a stronger-than-ever first half.

The number of auctions remained high, at 73 from July to December, exactly the same as in the first half of 2011. However, sell-through rates were down in the second half, averaging 90 per cent of lots offered compared with 94.2 per cent up to June. Subsequently, each sale was worth less, grossing \$2.86m on average, down from \$3.54m in the first half.

More often than not, unsold lots consisted of commodity Bordeaux – bottles of recent vintages, widely available and, crucially, not yet ready to drink. Prices for these wines had reached untenable heights, overtaking those of rarer, more mature equivalents.

Robert Sleigh, Sotheby's head of wine in Asia, confirmed that "younger Bordeaux is what has suffered, but really only the first growths". That first growths led the downhill charge is clear. The WMJ First Growth Bordeaux index fell 16.3 per cent from July to December, and a further 6.8 per cent in the first quarter of 2012.

Buyers' first-growth fatigue was particularly apparent in Asia, where the market was "flooded with Bordeaux", according to David Wainwright, managing director of Zachys Asia. There

remains "ample demand for rare stuff", he countered.

Auction houses were quick to cater to the broadening vinous horizons of local collectors, with a series of more adventurous sales in Hong Kong.

In early November, Acker Merrall & Condit held a two-day sale dedicated almost entirely to Burgundy from a single-owner collection. Hong Kong buyers snapped up 98 per cent of the 1,342 lots, which together brought in \$14.5m – the highest total for any auction in 2011.

The Asian market was flooded with young Bordeaux but demand remains strong for rare vintages

This helped Acker to retain its top spot, as the only house to bring in live wine auction revenues of more than \$100m to December, more than two-thirds of which were generated in Hong Kong.

Christie's all but caught up with Sotheby's in the race for second place, with revenues up 34 per cent on 2010. In another Burgundy success story, Christie's brought the private cellar of Henri Jayet under the hammer in

Hong Kong on 10th February this year. At the once-in-a-lifetime opportunity to procure the fabled wines of the late grower, all bottles on offer were sold.

Other wine regions are also shining brightly, with the Rhône, Champagne and Italy also performing well at auction, but Burgundy has been the primary beneficiary of the shift away from Bordeaux. Domaine de la Romanée-Conti has replaced Château Lafite as Asia's darling, and therefore everyone else's. Asia in general – and China in particular – is still very much driving the wine auction market, despite the slowdown.

Hong Kong is outpacing rival markets in New York and London, with growth of 40.9 per cent year on year. In proportional terms, Hong Kong was able to move ahead of a flat US market, while Europe's 21.6 per cent growth for the year allowed it to retain its 19 per cent share.

But the city lost some ground in the last quarter, accounting for just under half of global revenues during 2011, at 48.5 per cent. In the third quarter, Hong Kong fleetingly crossed the halfway mark. To April of this year, Hong Kong's share had dropped to 44.6 per cent.

Respective sell-through rates suggest that the increasing focus by US auction houses on China could be excessive. Sell-through rates at Hong Kong auc-

tions have gradually decreased since peaking near 98 per cent in 2010. The percentage of lots sold there averaged 94 per cent in 2011, and was 90.2 per cent from January to April this year.

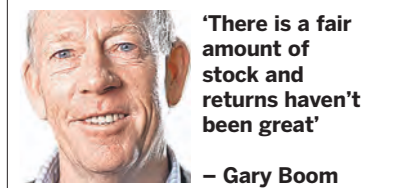
In the US, on the other hand, sell-through rates rose to 95.6 per cent by the end of last year, with auctions in New York and Chicago easily soaking up supply.

As prices stabilise this year, there are signs that Hong Kong buyers are being tempted back into the saleroom. For private collectors Sam Lin and Anna Lau, the auction frenzy in Hong Kong had become off-putting. But in March this year, they dipped their toes back in the water, spending a total of HK\$250,000 (\$32,200) at one sale.

"We got some bargains," said Ms Lau.

With a more cautious and exacting pool of buyers, Hong Kong will not generate the stupendous growth this year that it has done since duty on wine was lifted in 2008. Global auction revenues in 2012 will be lower than last year, with results from the first four months of the year suggesting a total of about \$400m.

With a steady stream of buyers from mainland China – and a widening spectrum of wine in their sights – Hong Kong will continue to play a central role in world wine auctions, ahead of western counterparts.



There is a fair amount of stock and returns haven't been great

– Gary Boom

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# Mature vintages can be surprisingly affordable



## Jancis Robinson Wine

One of the most absurd aspects of the current fine wine market is how expensive young wine is by comparison with mature vintages.

While too many Bordeaux proprietors seem to be tempted, regrettably, to price their non-stellar 2011 above their non-stellar 2008, it is perhaps appropriate to turn one's back on this unsavoury spectacle and turn the observation on its head.

One of the most attractive aspects of the current fine wine market is how inexpensive mature

vintages are by comparison with their callow, unformed infant counterparts.

This is particularly true of serious, classic wines such as classed growth bordeaux and burgundies carrying a Grand Cru or superior Premier Cru classification. There is simply no point in paying the prices asked for such wines unless you give them the opportunity to attain their full splendour and nuance by ageing them for many years in bottle. You want all the youthful elements to knit together to form much more complex compounds, with flavours that are never found in young wine – under 10 years old, say.

But the pleasure of drinking much older wines is huge. This is what distinguishes wine from other drinks: its ability to last – partly because of its alcohol content, and partly because its charge of tartaric acidity helps protect it from harmful bacteria – and thanks to the complexity of its make-up, to do more than that – improve with age.

A fine wine from the 1980s or older will offer a much wider array of scents than the simpler, more brutal appeal of a young wine – and it is likely to change considerably in the decanter or glass, so that the experience of drinking mature wine is one of the most intellectually and sensually rewarding acts of consumption that I can think of – akin to experiencing a particularly entrancing painting or musical performance.

But, unlike a work of art, a bottle of wine has necessarily to be destroyed to be enjoyed, so we owe venerable examples alertness and due attention.

As I have written, perhaps ad nauseam, the most glamorous and expensive vintages of the most famous wines that proliferate in the market place are extremely expensive, and great care is needed to ensure their authenticity. If you want to minimise the chances of encountering a fake, and maximise the chances of securing a bargain, head for second-tier wines and second-division vintages.

In Bordeaux, for example, the second-division vintages I would recommend for current drinking of fully mature wine at classed growth – a good-value notch below first-growth level are 1996, 1995, 1994, 1993 (right bank), 1988, 1986, 1985, 1983, 1981, 1978, 1975, 1971, 1964, 1962 and 1952. Other vintages in the second half of the 20th century tend to be either too expensive, too disappointing or too young.

Because most bordeaux is made in such quantity, it is not too difficult to find mature vintages still lurking on wine lists around the world. The brilliant and improving wine search engine, wine-searcher.com, is an invaluable aid to locating old wines. You can refine your search by bottle size, location, whether you are prepared to buy at auction, name of the wine or appellation, and even the sort of price you are prepared to pay.

I recently listed some of my favourite suppliers of fine wine, and you can check up on how a particular wine is tasting at – present by checking out the free cellartracker.com or subscription websites such as erobertparker.com, winespectator.com and, ahem, jancisrobinson.com – all of which have tens of thousands of tasting notes.

The grander the wine, the longer it is likely to be able to last, although some generalisations may be in order, such as that Saint-Estèphes tend to be particularly slow to unfurl. Margaux and lesser Saint-Emilions much quicker. Sauternes and Barsac, the great sweet white wines of Bordeaux, are practically indestructible.

There is another sort of wine that it is crazy to broach too young, and which can last even longer than a classed growth bordeaux, and that is vintage port. Drinking young vintage port is really no more fun than drinking a much cheaper single quinta port of roughly the same age. But a fully mature vintage port is a miraculous thing, with every bit as much nuance as the finest mature table wine.

Sadly for those dedicated – some would say demented – individuals who spend their lives making the rich, fortified wines of Portugal's Douro Valley, in the past few decades vintage port has not appreciated in value nearly as much as the most respected table wines, nor as much as it deserves.

And, because vintage port is, alas, not fashionable, there is plenty of it on the market – not least because Oxbridge colleges and gentlemen's clubs have been divesting themselves of their holdings of it.

So, if you are seeking a fine 1983, for example, you could get a bottle of 1983 vintage port, already drinking well but nowhere near its peak, from a top supplier for about £50 a bottle, whereas that sum would get you only the most modest 1983 red bordeaux.

Other fine wines – particularly burgundy, and



Because most bordeaux is made in such quantity, it is not too difficult to find mature vintages lurking on wine lists Reuters

to a certain extent rhône – tend to be made in smaller quantities, so locating fully mature examples of good provenance is much more difficult. But at least the secondary market for all but a handful of names is virtually non-existent, so it is possible to pick up bottles bought from private cellars where they have spent most of their days.

Generalising about burgundy vintages is a mug's game, which I am loath to play. Suffice it to

say that superior burgundy tends to have two periods of drinkability: one in its youth (youthful charm is a more common attribute in a burgundy than in the more obviously tannic wines of Bordeaux); and one in grand old age. You might strike lucky and find a delicious example of the latter.

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### Contributors

**John Stimpff**  
Contributing Editor

**Jancis Robinson**  
FT Wine Correspondent

**Maggie Rosen**  
**Ella Lister**  
**Walter Speller**  
FT Contributors

**Martin Brice**  
Commissioning Editor

**Steven Bird**  
Designer  
**Andy Mears**  
Picture Editor

For advertising, contact:  
**Mark C Howarth**  
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[mark.c.howarth@ft.com](mailto:mark.c.howarth@ft.com)  
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## Buying & Investing in Wine

# Future of whites lies in the past

### Profile Italian whites

Producers are waking up to their rich store of heritage varieties, as are the consumers, says **Walter Speller**

Italy's vinous reputation may be firmly based on its reds, which come in an astonishing variety of styles, but its whites deserve attention too.

The reason they have been relatively unnoticed has, in part, to do with Pinot Grigio's worldwide success. Although a useful grape, the bland offerings channelled through supermarkets, neither offend, nor beguile, anyone. Unfortunately, it is still Italy's signature white, if only by sheer volume.

The consumer is not to blame. The fault lies with Italy, which has only recently begun to reappraise its indigenous varieties after years of neglect. Before that, the wine sector was driven by technology, generous yields and bestsellers (that Pinot Grigio again) and internationally appealing styles, such as Chardonnay and Sauvignon Blanc.

It also encouraged merciless capitalisation on well-known names by enlarging famous regions and allowing sky high yields, Soave Classico being just one victim of this policy.

But, from the 1990s, a sense of tradition and identity started to reassert itself. This triggered renewed interest from a new generation in local varieties, which only 20 years ago were considered average, at most.

The first step this generation took was to reduce yields. Quality shot up, and the previously scorned local varieties proved to have bags of personality and style.

Italy, with its wide range of soil compositions, altitudes and climates can produce any wine style the world desires. But its identity and originality is determined by its indigenous varieties, cultivated for hundreds, if not thousands, of years. It is a heritage that cannot be copied, and just the thing for palates jaded with a handful of international varieties.

**Arneis** Although red wine territory, Piemonte is home to several whites. But it is Arneis, with its subtle almond and white fruit nose, which has the edge over Cortese (or Gavi), the region's bestseller. Because of its low yields, Arneis almost disappeared in the 1970s, but a few producers, including Bruno Giacosa, clung to it. Top producers today are Matteo Correggia, and Angelo Negro & Figli (single vineyard 'Arneis Pernaudin' and 'Arneis Sette Anni').

**Garganega** One of Veneto's most characterful whites and main ingredient in Gambellara and Soave. But while enormous yields often result in vapid wines, Garganega, in the right hands, can be a true expression of terroir, showing chamomile, pear and mineral notes carried by fine acidity. Top producers include Pieropan, Angiolino Maule (cask-aged 'Pico') and PRA (Soave Classico Staforte).

**Ribolla Gialla** Friuli may be famous for its international whites, but the trend for all things indigenous proves to be the wind in Ribolla Gialla's sails. Confined to the Collio



Let us spray: work on the vines in a modern Italian vineyard at Barolo, Piedmont

Zoonar

hills near Oslavia, it used to be fermented on the skin long before this technique became fashionable with the 'natural wine movement', giving it almost a red wine quality. Ribolla comes in fresh, spritzy versions as well as serious, cask-aged ones. Highly recommended are Primocic, Dario Princic, Radikon and La Castellada, each producing a 'modern' as well as a skin fermented version.

**Verdicchio** The perception of Verdicchio has been shaped by one of Italy's great marketing successes: Fazi-Battaglia's green amphora bottle, produced by the millions, reaches every corner of the world, putting Verdicchio on the international map. But perhaps it doesn't do

justice to Verdicchio's versatility, or its fabled ageing capacity, which turns it into a nutty, lemony and mineral wine. Top producers include Bucci, Collestefano, La Monacesca and Sartarelli.

**Fiano** Campania, one of Italy's most promising yet inert regions, is home to several great whites. Considered a sun-drenched corner of the peninsula, its mountainous centre is actually quite cool, and ideal for slow ripening whites such as the charismatic Fiano. Redolent of peach and lemon it turns mineral and smoky with age. Fiano comes in several styles, from commercial, spritzy, tropical fruit quaffables to fine examples, which can stand the

test of time. Top producers are Pietracupa, Feudi di San Gregorio and Il Tuffello.

**Carricante** While Etna Rosso is taking its rightful place within the ranks of Italy's fine wines, Etna Bianco, made of the local Carricante, is at least as great. It can be found in some of Europe's highest vineyards, 900m or more, where, during a long, cool ripening season, Carricante develops fine scents of white flowers, lemon and peach. Its high acidity makes it a perfect candidate for bottle ageing, which it needs to show its best. Benanti's Pietramarina proves patience pays off. Other overachievers are Graci, Fessina, Barone Villagrande and Biondi.

### Passion play Investing for the love of it

In wine terms, passion and investment are not a classic pairing. The words "wine investment", uttered in the presence of any wine critic or producer, will be met with a look of practised disgust. Speculation is widely viewed as a negative force in the wine market. But why?

Because it pushes up prices, of course, but also because oenophiles don't see wine as a product. Wines are individual, reflecting soil, climate, and craft, and consumers should have a passionate response when – not if – they drink it.

"The whole point of wine investment originally was to fund your cellar; to drink great wines for nothing," says Jo Purcell, MD of Farr Vintners in Hong Kong. Hong Kong buyer George Tong sees his collection as "pure passion," and will not purchase a wine he doesn't want to drink himself, however highly rated. Mr Tong is not exceptional. Purcell is convinced none of her clients buys wine "purely for investment."

For Pierre Lurton, general manager of Château Cheval Blanc and Château d'Yquem, collecting wine should be all about "the desire to obtain a certain bottle for love and for pleasure."

This doesn't mean passionate collectors are not also investors. "Asian buyers are investors in everything," says David Wainwright, managing director of Zachys Asia, adding that every one of his clients "has an interest in wine," and "starts out loving wine, tasting wine."

Frédéric Engerer, Château Latour's general manager, finds the debate "a bit useless", as "an investor may become a drinker one day, and sometimes 'drinkers' resell some cases."

Accidental investment in wine is an age-old phenomenon. Only recently have the

pros turned their hand to wine investment. Since the advent of wine funds, the Liv-ex 50 Index has increased by 290 per cent.

In other words, prices of the Bordeaux first growths which make up the index have risen at a compound annual rate of 12 per cent. The argument that speculation pushes up prices seems irrefutable.

By June last year, prices had reached an all-time high. The market reacted to unsustainably – and undrinkably – expensive first growths, and by year-end they lost a quarter of their value. This year, prices seem to have reached a plateau.

Wine funds adopt two broad approaches to investing: strictly financial or passion-based. Ex-finance types swear by a rigorous analytical approach, usually resulting in risk averse, Bordeaux-only portfolios.

Miles Davis, director of Wine Asset Managers, believes it is all too easy for a wine lover to "cloud the difference between an investment and something they'd like to drink."

Other funds are happy to let a passion for wine influence strategy. Luxembourg fund Nobles Crus allows for significant holdings in Burgundy and also some Italian wines.

Christian Roger, the investment manager, believes "you can decide to invest in a wine only if you understand it and for that you must have passion, you must taste again and again, you must love this particular wine".

These less restrictive funds have prospered in recent months because of their diversified portfolios. Burgundy's stability while Bordeaux prices plunged allowed Nobles Crus to buck the trend with an 11.25 per cent gain for 2011. Passion can pay.

**Ella Lister**  
Some go for risk-averse, Bordeaux only portfolios



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1989	Ch Angelus	£3,300	96/100
1990	Ch Beausejour-Duffau	£8,400	100/100
2009	Ch Calon-Segur	£620	94+/100
1998	Ch Cheval Blanc	£3,900	96+/100
1990	Ch Cos D'Estournel	£1,780	94/100
1996	Ch Cos D'Estournel	£1,180	93/100
2000	Domaine De Chevalier	£560	91/100
2003	Ch Ducru-Beaucaillou	£1,200	96/100
2005	Ch Duhart-Milon	£750	94/100
2005	Ch Grand-Puy-Lacoste	£690	95/100
1995	Ch Haut-Brion	£3,400	96/100
2003	Ch Haut-Brion	£3,250	95/100
2006	Ch La Mission Haut-Brion	£2,300	95/100
2003	Ch Lafite	£8,200	100/100
2008	Ch Lafite	£7,250	98/100
2003	Ch Lagrange (St. Julien)	£400	91/100
1995	Ch Latour	£4,200	96/100
1999	Ch Latour	£4,150	94/100
2006	Ch Latour	£4,700	95/100
1996	Ch Leoville Barton	£770	92/100
1990	Ch Leoville Lascases	£2,800	96/100
2005	Ch Leoville Poyferre	£800	93/100
2005	Les Forts De Latour	£1,750	92/100
2008	Ch Lynch Bages	£795	93/100
1995	Ch Margaux	£3,750	95/100
2003	Ch Margaux	£4,700	99/100
2005	Ch Montrose	£990	95/100
1995	Ch Mouton Rothschild	£3,300	95/100
1996	Ch Pape Clement	£750	94/100
2006	Ch Pontet-Canet	£740	95+/100
2005	Ch Trotteville	£695	92/100

Contact **Paul Bowker**  
(former Head of Christies Wine Dept.)  
**Wilkinson Vintners Ltd**

Established 1992  
Tel: +44 (0)20 7616 0404 Fax: +44 (0)20 7616 0400  
Email: wine@wilkinsonvintners.com  
38 Chagford Street London NW1 6EB

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