



## Cult Wine Investment Q3 2022 Report

### Performance Highlights

Fine wine markets stayed in positive territory during the summer months despite gloomy economic forecasts and forex volatility.

Cult Wine Investment's 3.99% return came on the back of positive figures in each fine wine region. Champagne remained in vogue with a strong quarterly rise and our specific Italian selections outperformed the rest of fine wine.

<b>+3.99%</b> Cult Wine Investment's Q3 total return. Our outperformance vs the Liv-ex 1000 stemmed from our Italian wines alongside ongoing strong gains from Champagne and Burgundy.	<b>+8.91%</b> Cult Wine Investment's Q3 total returns from our Italian wines.	<b>+205.74%</b> Cult Wine Investment's total return since inception (2009) driven by a focus on sustained long-term performance based on our extensive fine wine knowledge and proprietary quantitative analysis.
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## Fine Wine Market Q3 Summary

Fine wine markets delivered positive returns during the choppy third quarter of 2022. The Liv-ex 1000, the broadest measure of the market, ended Q3 up 2.68%. Wine demonstrated its resilience and low correlation with macro sentiment by posting its strongest month of the quarter in September despite escalating concerns about economic growth.

Fine wine performance had slowed temporarily early in Q3. The Liv-ex 1000 posted its smallest year-to-date monthly gains in July and August, when Champagne 50 stood as the only consistent performer during these summer months with its 8.67% Q3 return spread fairly evenly.

Momentum picked up in other regions late in the quarter, suggesting the brief slowdown may have been more linked to the quiet summer period rather than any significant deterioration in fundamentals.

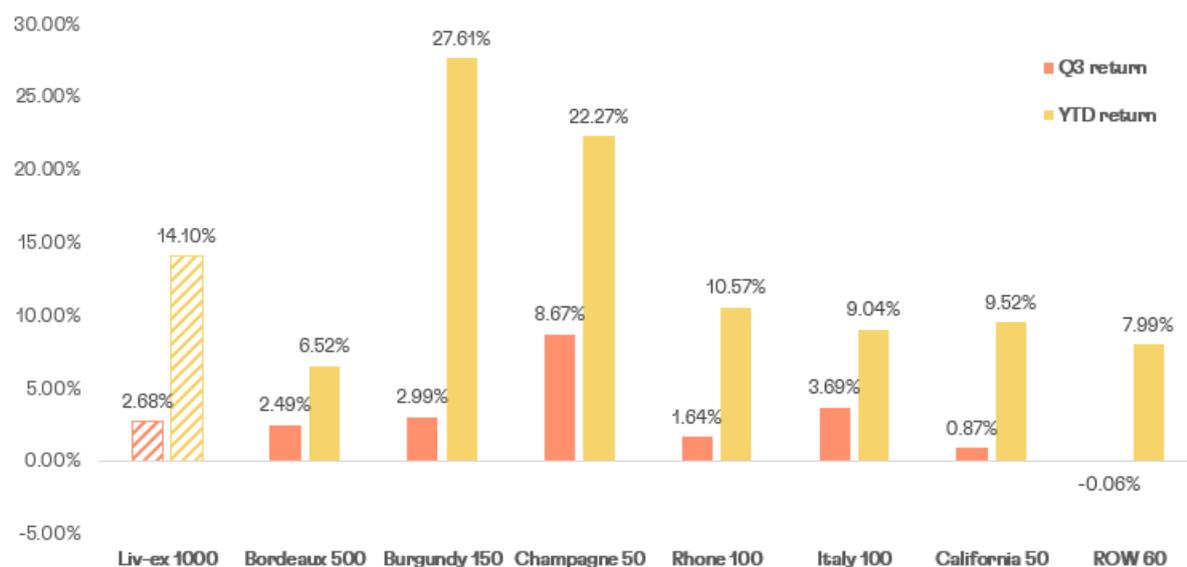
Bordeaux (1.56%) posted its strongest month since June 2020 in September, pushing its Q3 return to 2.49%. Chateau Figeac received its widely anticipated promotion to Grand Cru Classé A, triggering a jump in secondary market prices.

A slew of September releases may have helped spur momentum, including the quality 2019 vintage from leading Super Tuscans Masseto and Solaia.

A jump in demand from US and Asia also spurred activity due to a sharp drop in the value of the British pound. Fine wine secondary markets are denominated in sterling, meaning the weak pound boosted buying power ([and return potential](#)) for buyers and investors in other currencies.

### Champagne remains hot through summer months

Liv-ex 1000 and regional indices' Q3 and YTD 2022 returns



Source: Liv-ex as of 30 September 2022. Past performance does not guarantee future returns.



## Macro Market Summary

Index	Q3 Return %	12-month return	3-year volatility
Fine wine*	2.68%	22.02%	4.09%
S&P 500 (TR)	-4.88%	-15.47%	20.30%
FTSE 100 (TR)	-2.72%	0.90%	15.31%
NASDAQ	-4.63%	-25.31%	23.78%
MSCI Asia Pacific	-12.08%	-29.56%	16.89%
US Treasury Bonds**	-6.17%	-16.69%	7.08%
Gold (USD/oz)	-8.15%	-6.91%	14.43%

\*Fine wine= Liv-ex 1000; \*\*US Treasury Bonds = iShares 7-10y US Treasury Bond Index

Volatility = Rolling 3-year standard deviation of monthly returns

Source: Liv-ex, Investing.com as of 30 September 2022. Past performance does not guarantee future returns.

The macro backdrop remained volatile on many fronts in Q3. Equity markets had begun to recover in July, but the rebound fizzled in August and September when the US Federal Reserve (Fed) signalled that combatting inflation would take priority over boosting growth.

Although inflation did show signs of easing, it remains well above target in major economies. US 10-Year Treasury yields hit their highest level since 2008 as bond prices continued to fall.

British assets suffered a turbulent September. A new government announced a 'mini-budget' that stipulated tax cuts for high income earners alongside a jump in borrowing, leading to a crisis of confidence in the British fiscal policy, a sharp drop in the pound, and volatility across UK assets. The Bank of England stepped in with a temporary gilt purchase programme of up to £5 billion, helping to stabilise markets. The combination of the pound's weakness and ongoing US dollar strength due to the Fed's hawkish stance mean sterling-denominated assets, such as fine wine, became cheaper for dollar buyers.

## Cult Wine Investment Performance

Cult Wine Investment's holdings posted a 3.99% third-quarter gain, topping the Liv-ex 1000 thanks to our broad foundation of wines from iconic producers through to undervalued up-and-coming names. Italy impressed with a significant outperformance while our Burgundy and Champagne wines maintained a strong pace despite the wider fine wine rally easing during the summer months. Our year-to-date gains stood at 12.49% at the end of the Q3.

### Cult Wine Investment Performance



Period	Total Return	CAGR
Q3 2022	3.99%	
1 year	18.48%	
3 years	35.95%	16.60%
5 years	34.58%	10.41%
Since inception (31/10/2009)	48.81%	8.27%

CAGR = Compound Annual Growth Rate

Source: Pricing data from Liv-ex as of 30 September 2022. Analysis by Cult Wine Investment. Past performance does not guarantee future returns

## **Bordeaux** **Cult Wine Investment's Q3 Return: 1.82%** **YTD: 4.92%**

On the back of a strong September, Cult Wine Investment's Bordeaux wines posted a 1.82% Q3 gain.

In line with our expectations, undervalued back vintages led regional growth rather than the newly released 2021 EPs. The jump in US demand for fine wine late in the period corresponded to a rise in Bordeaux activity. Second-growth Chateau Rauzan-Ségla 2005 posted one of the strongest gains.

Chateau Figeac received its promotion to Grand Cru Classé A in early September, triggering a spike in activity and rising prices across most of its back vintages. Our 2015 and 2017 Figeac holdings delivered strong returns of 16.0% and 8.9%, respectively. No other chateaux received an upgrade in this year's reclassification (occurs every 10 years), meaning it is just Figeac and Chateau Pavie that hold the official top tier designation. The other Classé As from the 2012 classification - Chateau Angelus, Ausone, and Cheval Blanc – all [withdrew their candidacy](#) ahead of this year's reclassification.

### **Cult Wine Investment's notable Q3 performers:**

- Chateau Rauzan-Segla, 2005 29.00%
- Chateau Lafleur, 2006 22.00%
- Le Pin, Pomerol, 2014 19.00%



**Burgundy**      **Cult Wine Investment's Q3 Return: 5.69%**      **YTD: 28.91%**

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It appeared that some of the air had gone out of the Burgundy rally in July and August, but our selections in the region surged again in September, anchoring another strong quarterly performance.

Iconic producer Domaine Leroy grabbed the spotlight during the quarter. Its Vosne-Romanee Premier Cru, Aux Brulees 2013 led the way with its stunning village-level Vosne-Romanee, Aux Genaivrieres 2011 also appreciating.

Even if the scale of returns may not revert to the 2021 peaks, iconic Burgundy wines hold excellent long-term potential due to the widespread consistent demand they generate. The second tier Burgundy wines may see more impact if demand ebbs temporarily, meaning it is important to concentrate on relative value in these market segments.

**Cult Wine Investment's notable Q3 performers:**

- Domaine Leroy, Vosne-Romanee Premier Cru, Aux Brulees, 2013      31.00%
- Domaine Michel Niellon, Chevalier-Montrachet Grand Cru, 2005 10.80%
- Domaine Leroy, Vosne-Romanee, Aux Genaivrieres, 2011      9.40%

**Champagne**      **Cult Wine Investment's Q3 Return: 6.65%**      **YTD: 15.60%**

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Champagne emerged as the most consistent performing region in Q3 with healthy price gains in each month. Cult Wine Investment's exposure to the Grower market segment paid off in Q3 when Cedric Bouchard's Roses de Jeanne Cote de Val Vilaine 2018 and Egly-Ouriet's Brut Millesime Grand Cru 2007 posted strong price appreciation.

Looking ahead, the supply-demand imbalance and future releases of excellent vintages (2012, 2015) should help Champagne stay buoyant despite the macroeconomic backdrop. Q4 is historically the busiest time of the year for Champagne, meaning its rally should sustain even if it doesn't reach the peaks seen in 2021. Selectivity will likely become increasingly important with many Grower Champagnes offering good potential.

**Cult Wine Investment's notable Q3 performers:**

- Cedric Bouchard, Roses de Jeanne Cote de Val Vilaine, 2018      +19.80%
- Egly-Ouriet, Brut Millesime Grand Cru, 2007      +19.50%
- Salon, Le Mesnil-sur-Oger Grand Cru, 2007      +18.00%

**Italy**      **Cult Wine Investment's Q3 Return: 8.91%**      **YTD: 14.74%**

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Cult Wine Investment's Italian wines outperformed in Q3, posting higher returns than the wider market as well as the Liv-ex Italy 100 index. Our performance stemmed from our diverse set of Italian wines, illustrated by Brunello di Montalcino, Barbaresco and Super Tuscans all contributing.

We had been stressing the potential of the Italian market for several months on the back of increasingly attractive relative value. We maintain this conviction going forward and look for buying opportunities across different Italian regions.

**Cult Wine Investment's top three Q3 wines:**

- Casanova di Neri, Brunello di Montalcino, Tenuta Nuova, 2008      36.90%
- La Spinetta, Barbaresco, Staderi, 2016      29.80%



- Sassicaia, Tenuta San Guido, Bolgheri, 2016 12.90%

**Rhone** **Cult Wine Investment's Q3 Return: 2.55%** **YTD: 7.04%**

Cult Wine Investment's Rhone selections upheld the region's strong and stable reputation with a moderate 2.55% gain despite the troubled economic backdrop. Some individual wines from the regional stars, such as E. Guigal and M. Chapoutier, posted much higher price gains.

A traditional source of relative value, Rhone could enjoy a boost in interest even during the difficult macroeconomic backdrop. Rhone wines typically draw strong support from US buyers whose buying power increases with US dollar strength.

**Cult Wine Investment's notable Q3 performers:**

- E. Guigal, Cote Rotie, Chateau d'Ampuis, 2010 34.80%
- Domaine du Pegau, Chateauneuf-du-Pape, Cuvee Reservee Rouge, 2016 17.20%
- M. Chapoutier, Hermitage, l'Ermite Blanc, 2017 15.40%

**Rest of World** **Cult Wine Investment's Q3 Return: 2.68%** **YTD: 7.24%**

Cult Wine Investment's Rest of World (Australian, Chile and Spain) delivered strong returns in Q3, topping the Liv-ex ROW 60, which declined over the three months.

The 2006 Vega Sicilia Unico, Spain's most iconic wine, posted an impressive 30.60% three-month gain. We are firm believers in the investment potential of many top Spanish wines as they offer a compelling trilogy of excellent quality, long-term lifespans, and good value.

**Cult Wine Investment's notable Q3 performers:**

- Vega Sicilia, Unico, Ribera del Duero, 2006 30.60%
- Penfolds, Grange, South Australia, 2011 20.00%
- Rothschild & Concha Y Toro, Almaviva, Maipo Valley, 2008 12.00%

**USA** **Cult Wine Investment's Q3 Return: 1.82%** **YTD: 7.61%**

Cult Wine Investment's US wines rose 1.82% over the three months with most of the gains coming during September.

Napa icon Harlan Estate's 98-point (Wine Advocate) 2004 vintage enjoyed a strong price bounce, aiding our performance. We also maintain a keen focus on Oregon wines, which are also steadily gaining larger global audiences. The Cristom Vineyards Marjorie Pinot Noir 2015 emerged as a notable performer in Q3. From Willamette Valley's Eola-Amity AVA, Cristom's single-vineyard Pinot Noirs and Chardonnays offer incredible quality for their price.

Our long-term outlook for US wines overall remains favourable but the near-term may see demand slant toward European wines due to the dollar's increased buying power.

**Cult Wine Investment's notable Q3 performers:**

- Harlan Estate, Napa Valley, 2004 24.70%
- Realm Cellars, Houyi Vineyard, Napa Valley, 2016 23.70%
- Cristom, Marjorie Vineyard Pinot Noir, Eola-Amity Hills, 2015 17.00%

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## Fine Wine Outlook

We remain confident fine wine can continue to display stability and deliver positive returns despite the gloomy macro backdrop. The fundamentals are healthy – demand from fine wine investors and collectors should remain strong despite cost-of-living concerns and tighter monetary policies.

However, caution is also warranted in the near term. If cost-of-living concerns dent hospitality sectors, this may work its way back up and temporarily moderate demand for fine wine. More broadly, the excess cash in the global economy in the wake of COVID has faded, and equity selloffs and rising interest rates are further squeezing the available money in the system.

This doesn't mean we expect a downturn; the top wines should remain stable and offer excellent long-term growth prospects. The supply-demand imbalance is most pronounced for iconic producers, so prices should remain buoyant under different macro conditions.

The strong dollar may also encourage demand from the USA and USD based investors, which in turn should support prices. As we've said before, this climate may favour wines with the best relative value as buyers and investors look to make their money go further. Individual wines in Italy and the rest of the world may gain increased attention. Rhone wines could benefit from healthy US interest as American buyers have long been Rhone's largest source of demand.



Region	Q3 2022 Outlook*	Highlights
Bordeaux		Increased demand from US may seek out best valued back vintages
Burgundy		Pace may ease but supply-demand should support prices among the Iconic wines
Champagne		Demand remains strong as we approach traditional busy holiday period for Champagne market
Rhone		Excellent value and strong US dollar could spur buying
Italy		Relative value improved over the past year; Italy could gain momentum.
Rest of World		Emerging regions show excellent long-term growth prospects, but patience and selectivity key as near-term prices can fluctuate
US		Strong US dollar less of a boon for domestic market

\* Past performance is not indicative of future success; the performance was calculated in GBP and will vary in other currencies. Any investment involves risk of partial or full loss of capital. The Cult Wines Index is a hypothetical tool. The results depicted here are not based on actual trading and do not account for the annual management fees that may be charged to a Cult Wines customer which ranges from 2.95% to 2.25% depending on the size of the portfolio, and there is no guarantee of similar performance with an investor's particular portfolio.