

# Fine wines: A liquid alternative

Philipp Schwander<sup>1</sup>

With an estimated USD 5 billion in sales per year, the market for fine wines remains a significant collectibles category. Both COVID and inflation fueled price increases for certain wines. Investment-grade wines, like other collectibles, require specialist knowledge – going beyond mere financial expertise – to deliver economic success. This overview examines some of the key elements that need to be taken into account from an insider’s perspective.

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## Fine wines at a glance

**Table 1** shows the share of the individual growing regions/countries over the last ten years in the fine wines market according to Liv-ex wine exchange. The weight of the once undisputed leader, Bordeaux, has declined over the years, while Burgundy, Italy and Champagne have emerged as serious challengers.

**Figure 1** overleaf shows the development of different wine regions in comparison with the MSCI World and the gold price (all in GBP, January 2004 to April 2022, and indicating the annual average increase in value over the whole period).

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1. This article is an updated version of the first edition in 2020.

Fine wines have experienced two price surges recently: the first was caused by the COVID pandemic, and the second has been the unusually high inflation since January 2022. Burgundy did particularly well in terms of its price development, having enjoyed an unprecedented boom in recent years (12.3% p.a.). From January 2021, the Burgundy Index even outperformed the price of gold (11.1% p.a.).

However, it remains to be seen how long the sometimes surreal high prices will be able to hold up. Rare vintage champagnes have long been underestimated and their prices have accelerated considerably. Prices here have risen between 30% and 40% in the last two years. The development of Bordeaux wines, shown in the Liv-ex index with an annual price increase of 8.5% (in GBP), was more restrained. It is noteworthy that wine is generally subject to less pronounced fluctuations than the financial markets, i.e. equities (cf. 2008–09). This is certainly also related to the comparatively small quantities traded and also to the fact that these wines are collectors’ items. Until about 2008, the fine wine market appeared to be a treasure trove for shrewd investors. From around 2009 onward, the internet and globalization then allowed producers to better explore the possibilities of the market. Owing to the higher level of market transparency, they now often earned a considerable part of the profit expected from the secondary market through significantly higher initial selling prices.

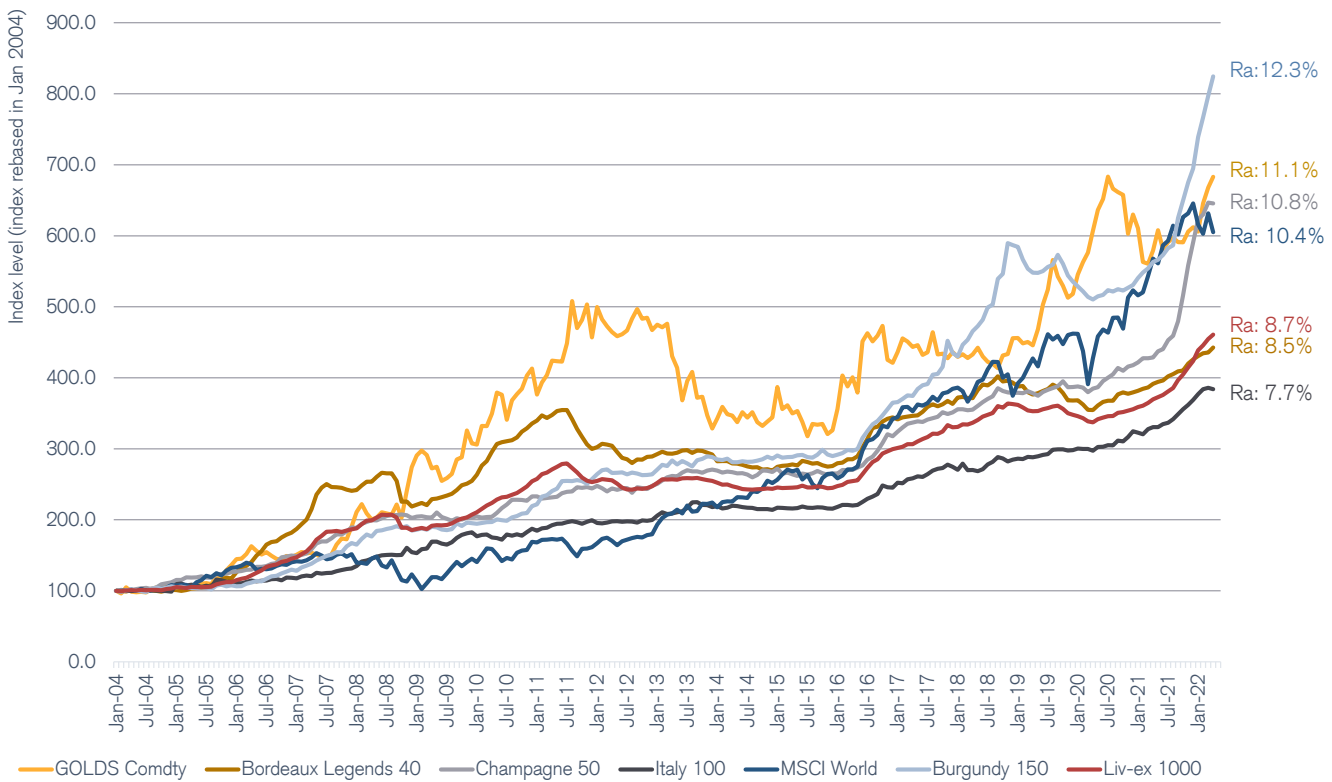
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**Table 1: Share of value of selected wine regions and countries**

	2010	2015	2019	2020	2021	2022*
Bordeaux	96%	75%	55%	42%	39%	33%
Burgundy	1%	6%	20%	18%	21%	25%
Champagne	1%	6%	9%	9%	8%	12%
Italy	1%	2%	3%	3%	5%	5%
Rhône	0%	2%	2%	7%	8%	8%
California	1%	7%	9%	15%	15%	13%

\* As of March 22; source: Liv-ex

**Figure 1: Liv-ex sub-indices vs. Gold and MSCI World (January 2004 to May 2022, in GBP)**



\* Developments in this graph are in GBP and can therefore differ from previous illustrations in the publication due to the currency effect.  
Source: Liv-ex, The BLOOMBERG PROFESSIONAL™ service

It is nevertheless very important for the potential wine investor to realize that investing in shares is probably the better, less-problematic business. The traded quantities of top Burgundies (e.g. Burgundy 150) are simply too small to be meaningful, despite showing excellent results in the graph above. It is more or less impossible to source these sought-after Burgundies in reasonable, correctly stored quantities and thus generate a commensurate return. A serious wine investor would be looking for a far better spread than a huge percentage increase in the value of just a few bottles of rare wines. In order to obtain a better perspective, it is therefore essential to compare the Liv-ex 1000 index, which is much more diversified, with the MSCI World. According to this metric, anyone who invested in shares in January 2004 earned 31.3% more than those people who invested in wine – despite the dramatic upheavals during the financial crisis.

Moreover, the chart does not take into account the real sales prices of wines, which are often lower than the stated market prices. Compared to shares, wine involves physically investing in a product that must be stored, insured and, if necessary, transported. Also, counterfeit wines

are a problem. In addition, an investor will only be able to sell particularly rare wines at the market price. Especially in auctions, less sought-after products are often sold at significantly lower prices, resulting in a substantial bid-ask spread of often around 25%. Furthermore, unlike most financial products, wine does not last forever. Currency fluctuations and taxes also play a crucial role (see corresponding section). Therefore, anyone not interested in wine per se can achieve the same goal more safely and efficiently with other investments. On the other hand, if we use owner-occupied residential property as an analogy, wine lovers may wish to invest part of their wealth in wine. A good example in this respect is the English model of the wine dealer who is responsible for the procurement, storage and subsequent sale of the wine.

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## Qualitative prerequisites for investing in wine

When analyzing which wines are worth investing in, it is often only prices or the potential appreciation in value that are considered. In fact, investors face serious risks if they only take these aspects into account. It is also important to pay attention to the following criteria:

### Storage and transport of the wines to be purchased

High-quality collectors' wines are only lightly filtered and are therefore less microbiologically stable. For example, populations of yeast and lactic acid bacteria may still be in the wine and could have adverse effects (e.g. premature aging or turbidity) at a high storage temperature. The most acclaimed wines, however, are often resold in international trade and sometimes go on an odyssey with less-than-advantageous transport conditions. The ideal storage temperature is between 11 and 14 degrees Celsius – and above all it has to be fairly constant – with a humidity of 68%–72% (not more than 80% or the labels will be affected, and not less than 60% or the corks will dry out and shrinkage may occur), and it is recommended to keep bottles in their original case (e.g. a six-bottle wooden box). Hence, proper storage including insurance can cost between USD 1.50 and USD 2.50 per bottle per year.

### Choosing wines that can age

In addition to choosing the right wine, the ability of a wine to age is fundamental when investing. For a wine to age and improve, there are many subtle factors involved and the period of aging for a variety of wines is often very different from the widely accepted guidelines. At the moment, Italian wines are popular because they are still attractive in terms of price. The focus is on wines from Tuscany and Piedmont. Unfortunately, however, many wines from these two regions (even famous estates) never last as long as the great Bordeaux. Many Brunello di Montalcino should not be stored for much longer than 15 years, with the same applying to Barolo and some of the "Super Tuscans" with Bordeaux grape varieties. If these wines are purchased young and stored under the correct conditions, there is a low risk of them deteriorating. The problem is the purchase of older vintages where continuing to store them can be risky.

Burgundies are better suited to longer storage than Italian wines. However, their low tannin content and fragile structure make them much more vulnerable to poor storage than Bordeaux wines. When buying expensive Burgundies, it is essential to know how the previous owners stored them and especially how and how often the wines were transported. The more previous owners and movements, the higher the risk.

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### Counterfeit wines

Experts estimate that around 20% of the most famous wines are counterfeit. This is an extraordinary figure. There have been considerably more sales of wine legends like Cheval Blanc 1947 or Petrus 1961 than have ever been produced. Wine fraud is particularly widespread in the Far East. The counterfeiting of older vintages is not that difficult because the labels are quite simple from a printing aspect and easy to reproduce. Likewise, there are wines that come in their original bottles, but have been refilled (the internet is full of offers for empty bottles of famous wines). The lack of knowledge of many collectors also allows for widespread wine fraud. In 2014, for example, in the biggest wine scandal to date, Rudy Kurniawan was found guilty of selling some forged wines with an estimated value of USD 100 million. Many of these wines are still in the cellars of collectors. The problem is somewhat similar to the art forger Beltracchi, from whom some of his "originals" from famous painters still exist. It is therefore essential to consult an expert when thinking about purchasing particularly rare and sought-after wines. Investors should also keep in mind that internet auctions or auctions by disreputable vendors are often used to dispose of poorly stored or counterfeit wines.

### Natural wines

Organic and biodynamic wines are becoming increasingly popular in high-quality estates. There are also more and more so-called "natural wines" (not a legally protected term), whose advocates aim to offer an alternative to the so-called "industrial wines" with products that are as natural and unprocessed as possible. Some of these wines are highly sought-after and fetch considerable sums. The production of such

wines requires expertise and appropriate technical equipment, otherwise they can quickly spoil. There is also another often-concealed problem that affects organic winegrowers in particular: it has unfortunately become fashionable these days to produce wine with the lowest possible sulfur content. Sulfur has been used since ancient times in the form of sulfur dioxide (SO<sub>2</sub>) for disinfecting containers and, above all, against browning (oxidation) of the wine. The SO<sub>2</sub> binds the oxygen and thus prevents oxidation and the development of bacteria and wild yeasts. Unsulfured or weakly sulfured wines age quickly and can result in oxidative faults. Regrettably, many producers ignore this important technicality and do not use enough sulfur, with the result that their wines are much less long-lasting. A less serious problem today is the cork-like taste (goût de moisi) in older vintages attributable to chloroanisole from wine cellars, which forced some famous producers (including Bordeaux) to completely renovate their cellars.

## “ Organic and biodynamic wines are becoming increasingly popular in high-quality estates

### **Currencies and taxes**

A leading rarities dealer from Switzerland summed it up – up until 2008, he made considerable profits with his portfolio of rare wines. Between 2008 and the end of May 2022, the euro lost 38% of its value against the Swiss franc and 15% against the dollar. On the other hand, the English market, which is very important for the wine trade, benefited in particular from the weak pound (minus 44%) and was able to generate excellent warehouse sales and returns as a result. Hence people who build up large-scale wine portfolios should consider the longer-term development of their chosen currencies.

Taxes and legislative changes can have a significant impact on a wine investment. When New York changed the regulations in 1994 to allow wine auctions, the US share of the fine wine market rose. In 2008, the tax on wines was abolished in Hong Kong SAR, which led to the city becoming the most important Asian wine hub. The 25% tariff introduced in October 2019 by the USA on EU wines with less than 14% alcohol led to a plunge in exports in the countries concerned (France, Spain, Germany and the UK). Conversely, Italy, which was exempt from the tax, benefited from particularly strong demand. After tariffs were lifted in March 2021, sales of French wines accelerated again as US traders replenished their depleted stocks.



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### **Reviews by wine critics**

Robert Parker in the USA was one of the world's most influential wine critics for many years. If he gave a wine a high score, it would have a significant effect on the sales price. His ratings were an exceptional sales promotion, especially for Bordeaux wines. Wines with a maximum note of 100 “Parker Points” are still highly sought after by collectors. However, 100 points have often been awarded in barrel tastings, only to be later corrected downward (e.g. Bordeaux vintage 2000). Parker sold his magazine, the Wine Advocate, in 2012 and completely withdrew from wine reviews in 2019. Besides the Wine Advocate, which has since been published by various specialists, the most influential wine critics currently appear to be the journalists Neal Martin and Antonio Galloni (both from Vinous magazine) who often prefer less powerful, more elegant wines than Robert Parker, who had a preference for more powerful wines. This trend toward more elegant wines can



Château Margaux; photo by Philipp Schwander

be seen worldwide. Allen Meadows for Burgundy and Jancis Robinson are also highly respected wine critics. However, since critics who provide good reviews are cited more often and receive more publicity, it is not surprising that we have been seeing far more top notes for some time now and the sales effect of wine scores has been diluted. The 100-point rating system nevertheless still seems to be gaining ground internationally. Overall, it can be seen that the influence of ratings has decreased, with a trend toward the well-known, long-established brands.

#### **Lucky numbers and other figures**

For Chinese buyers, not only the quality of the vintage, but also lucky numbers can influence an investment. According to long-time China insider Urs Buchmann, CS Vice-Chairman Greater China, the years 2019, 2018, 2016 and 2011 are considered to be especially promising. In contrast, 2015 and 2014 vintages are held in less esteem. No doubt, another special year was the turn of the millennium (2000).

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#### **The most important regions and their wines**

A common mistake is that, when choosing wines, people tend to opt for personal preferences. There are many excellent wines in the fine wine market that are not in demand and are therefore unsuitable for investment purposes. The following section discusses the most sought-after wine regions and producers to consider when investing in fine wine, regardless of whether they are really convincing in terms of quality. The list is not exhaustive and is constantly changing, and also includes some of the vintages from the respective regions that might appeal most to collectors. In general, more and more wines are being bought outside of Bordeaux as an investment. In this regard – alongside Burgundy – Champagne, Italy and California deserve special mention. When it comes to investments, China's influence should not be underestimated. Prices would come under pressure if China does not buy wine (e.g. in Australia).

## Bordeaux

Bordeaux is still the benchmark and is the most important and, above all, reliable region for wine investments. Overall, Bordeaux wines are the easiest to store, the brands are well known, production is large-scale and market penetration is strong. En primeur (wine futures) prices spiked for the first time with the 1996 vintage, followed by further price hikes with the 2000, 2005 and 2009 vintages. People who invested in the outstanding 2009 and 2010 vintages have lost money to date because the producers' offer prices were far too high. In 2011, prices peaked due to unprecedented demand from China. In July 2012, the Chinese government cracked down on gifts to government officials for the first time. The demand for expensive Bordeaux collapsed because of this, among other things, and investors increasingly turned to Burgundy and other regions. The excellent 2019 vintage was offered at very attractive prices and luckily provided a much-needed boost to the market. The subscription prices were 15%–30% lower than the previous year, but have already increased again by between 20% and 30%. The falling away of the US punitive tariffs in March 2021 led to a massive surge in demand for Bordeaux and many older vintages that were still held in stock were able to be sold.

By watching the market closely, investors can also discover and profit from a number of wineries in the short term, even if they are not important brands. For example, prices for Château Les Carmes Haut-Brion doubled in 2016. In the meantime, the quality of some of the "Super Seconds" is often now on a par with the Premiers Crus, but the prices are very attractive. In the long term, it has proven successful to invest in old well-known brands. "New" wines like Valandraud, Quintus or Magrez Fombrauge generally do not perform well. Overall, the Bordeaux market recovered, although the price increases were restrained compared to Burgundy and Champagne. Investors in Bordeaux could also consider buying large bottles if possible as the difference in price is relatively modest, but the potential increase in value is significantly higher than with 75 cl bottles. The 2021 Primeurs are being offered at prices similar to the significantly better 2020 vintage so that they are not suitable as an investment.

Most important brands: Lafite-Rothschild, Mouton-Rothschild, Margaux, Latour, Haut-Brion, Petrus, La Mission Haut-Brion, Cheval Blanc, Ausone and, in small quantities, Lafleur and Le Pin.

Recommended more recent vintages: 2020, 2019, 2018, 2016, 2015, 2010, 2009, 2005 and 2000.

## Burgundy

The rise in the prices for Burgundy is staggering – in 2013, Sotheby's accounted for 26% of all wine and spirit sales, in 2021 this was 46% compared to only 22% for Bordeaux. The prices of the most sought-after Burgundy wines have risen by another 40%–50% in the last two years. This small wine region is home to the world's most sought-after and expensive wines. The choice of producer and vintage are all decisive and the quantities produced are tiny, which makes the area especially interesting for collectors. Red wines from 1999 onward are likely to be more ageworthy, while wines of previous vintages are sometimes more difficult to store. Nevertheless, caution is also required with younger wines! Many producers are extremely reluctant to add sulfur to their wines, which has a negative effect on storability. White burgundy is even more problematic as pre-mature aging ("premo" or premature oxidation) created huge problems. For example, "premo" created huge problems for vintages between 1995 and 2013, possibly due to a lack of sulfur in the wines.

A storage temperature between 11 and 14 degrees Celsius is much more important for Burgundies as they are particularly sensitive to excessively high temperatures. When buying Burgundies, it is important to pay attention to how they will be transported as well as their previous storage conditions. However, unless they are purchased directly from a producer or importer, Burgundies are a risky investment at the moment in view of a potential market correction. For example, a single 75 cl bottle of Musigny Leroy 2015 currently costs EUR 105,000. The wines of Domaine de la Romanée Conti are still most in demand, followed closely by Domaine Leroy, Liger-Belair and Armand Rousseau. Even so, it is difficult to find reasonable quantities of these domains in the secondary market. Now incredibly high prices are causing buyers to turn to other Burgundy producers who just a few years ago were fairly unknown to a wider group of buyers. For example, wines from the second-class appellation Haut Côtes de Nuits from Domaine Bizot already cost several thousand euros per bottle! Overall, burgundies are more in tune with contemporary tastes with their smoother, less bulky character. For example, they are also much better suited to Chinese cuisine than Bordeaux.

Most important brands: Red – Domaine de la Romanée Conti, Domaine Leroy, Comte Liger-Belair, Armand Rousseau, Roumier, Sylvain Cathiard, Dujac, Méo-Camuzet, Emmanuel Rouget, de Vogüé. White – Domaine Leflaive, Coche Dury, Domaine Roulot, Pierre-Yves Colin-Morey.

Recommended more recent red wine vintages: 2020, 2019, 2018, 2016, 2015, 2012, 2010, 2009, 2005, 2002, 1999.



Château Haut-Bailly wine cellar; photo by Philipp Schwander

### Champagne

Prices of the vintage champagnes from the fine wine market have risen strongly. They were significantly undervalued for a long time: only recently the average price for twelve bottles of first-class champagne was GBP 1,500. The average price for the highest-quality Bordeaux is GBP 7,000 and for Burgundies even as much as GBP 15,000. Roederer “Cristal” is currently between GBP 2,000 and 3,500. Together with Burgundy, Champagne is now one of the “best performers” with prices having risen between 30% and 40% in the last two years. While high-quality grower champagnes are gaining more market share in direct sales, well-known brands from the bigger houses with their fine cuvées such as Dom Pérignon, Roederer “Cristal” and Krug Vintage continue to dominate the secondary market. Interestingly, the other well-known sparkling wine regions from all over the world do not play a role here. Clearly, collectors are discovering the appeal of mature, high-quality vintage champagne – a phenomenon that was previously only widespread in the United Kingdom.

Some first-rate marketing (e.g. at Dom Pérignon), a worldwide sales network and the high level of brand awareness (even among

laymen) is also having a positive effect. “Dom Pérignon” is the undisputed market leader, despite the company producing a gigantic estimated 11 million bottles per year – production of Louis Roederer “Cristal” is much lower at probably around 0.7 million bottles. The tiny Champagne house of Salon has seen its best performance in recent years. On the Liv-ex trading platform, the price of Salon 2002 rose 80% in 2021, while Cristal Rosé, Taittinger Comtes de Champagne and Krug 2000 also gained over 50%. The best grower champagnes (e.g. Agrapart, Egly-Ouriet), are also becoming increasingly popular, as are high-quality rosé champagnes. Sales in the USA reportedly increased by over 200% in 2021.

Most important brands: Moët & Chandon “Dom Pérignon,” Louis Roederer “Cristal,” Salon, Krug Vintage and Clos du Mesnil, Bollinger “Grande Année” and “R.D.,” Pol Roger “Sir Winston Churchill,” Taittinger “Comtes de Champagne,” Jacques Selosse Vintage.

Recommended more recent vintages: 2012, 2008, 2004, 2002 and 1996.

## **The Rhône**

Thanks to Robert Parker, the Rhone has become one of the world's most prestigious wine regions. The wines mostly have a good storage life (some modern vinified Châteauneuf wines mature faster) and represent solid value in an international context. There are also particularly good white wines – but collectors should focus on the red wines of the northern Rhone. With a few exceptions, the performance of the southern Rhône (Châteauneuf-du-Pape) has not been particularly convincing. The exception is Châteauneuf Rayas – this Châteauneuf-du-Pape has become a cult wine and its prices have risen the most of all Rhône wines. Although Beaucastel is popular and well-known, production has been greatly expanded and demand has declined somewhat.

Recommended producers for northern Rhône: Guigal, Chapoutier, Jean-Louis Chave, Jaboulet Aîné.

Recommended producers for southern Rhône: Rayas, Henri Bonneau, Beaucastel "Hommage Jacques Perrin."

Recommended vintages for northern Rhône: 2019, 2016, 2010, 2009, 2007, 1999, 1990.

Recommended vintages for southern Rhône: 2019, 2018, 2016, 2010, 2007, 2005, 1998.

## **Tuscany**

Italian wines are increasingly growing in demand, especially those from Tuscany. The region can be compared to some extent with Bordeaux because the concept is often similar to Bordeaux wine chateaus with Bordeaux grape varieties (Bolgheri). The entry prices are relatively low, but, compared to the Bordeaux, the wines (with some exceptions) do not last very long. Sassicaia has the dominant position with its 2016 vintage also contributing to the increase in demand. Masseto is increasingly becoming a cult wine, although prices for the "normal" Ornellaia have not increased any further; the demand for Brunello producers is also somewhat subdued. Biondi-Santi wines come in very different qualities (although the quality should become more stable under the new owner). Production at Sassicaia and Tignanello is high at 0.4 million bottles per year each, but this should not have any negative effects on Sassicaia as the brand currently belongs to the most sought-after Italian wines. Here the aim would be to buy younger vintages so as to leave some room to maneuver, since experience has shown that the wines do not keep as well as Bordeaux.

Most important brands: Sassicaia, Masseto, Ornellaia, Tignanello, Brunello di Montalcino Case Basse, Biondi-Santi, Solaia, Fontodi Flaccianello, Pergole Torte, Le Macchiole Messorio, Tua Rita Redigaffi.

Recommended more recent vintages: 2016, 2015, 2013, 2010, 2006 and 2004.

## **Piedmont**

If Tuscany is more like Bordeaux in concept, Piedmont resembles Burgundy. The dominant grape variety among the most expensive wines is Nebbiolo, the quantities produced are often very small (between 5,000 and 10,000 bottles). Like the wines from Tuscany, the most famous wines from Piedmont – especially Barolo and Barbaresco – have been in great demand for years, and the price increases are sometimes enormous. Collectors who can buy directly from the producer from the past can look forward to a potentially solid return. Contrary to popular belief, the newer vintages of Barolo and Barbaresco do not always age well. Hence investors need to be careful when choosing and should probably buy the wines young to avoid emergency sales. Although prices are already high, they have increased again.

Most important brands: Bruno Giacosa, Gaja, Giacomo Conterno, Sandrone, Aldo Conterno, Vietti, Bartolo Mascarello, Giuseppe Rinaldi, Roberto Voerzio, Comm. G.B. Burlotto.

Recommended more recent vintages: 2016, 2013, 2010, 2004.

## **California**

The trend in prices for the most sought-after Napa Valley wines over the last 20 years is simply astounding, along with some compelling marketing. Some wines are already so high in price (e.g. Screaming Eagle) that we are likely to see a market correction at some point. Moreover, not all wines mature the same, with some examples of prominent names aging prematurely. Heitz has been underestimated for years and, unlike some of its more acclaimed competitors, can be stored over a longer period of time. Recently, prices for older vintages in particular have increased significantly (1960–1980). However, the market seems to be mainly in the USA, while demand in Europe is much more restrained.

Most important brands: Screaming Eagle, Harlan, Colgin, Dominus, Opus One, Heitz Martha's Vineyard, Ridge Monte Bello, Abreu, Phelps Insignia, Shafer Hillside Select, Kapcsándy, Scarecrow.

Recommended more recent vintages: 2016, 2015, 2013, 2012, 2010, 2007, 2002 and 2001.

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## Bordeaux is still the benchmark and is the most important and, above all, reliable region for wine investments



Philipp Schwander MW has been in the wine trade for almost 40 years. His first professional experience with fine wine was tasting Bordeaux “en primeur” from barrel in 1982. Fourteen years later, while working as the head buyer for the fine wine importer Martel, he passed the world’s strictest wine exam to become Switzerland’s first Master of Wine. After ten years at Martel he was made CEO of the Zurich-based company Reichmuth, which at this time was one of the largest importers of Cru Classé Bordeaux in the country. In 2003, he founded Selection Schwander and his company is now one of the major wine merchants in Switzerland. He has his own vineyard in Priorat in northern Spain, where he produces a wine called Sobre Todo, which has received critical acclaim. He is an honorary member of the Austrian Wine Academy and writes regularly for the Neue Zürcher Zeitung and other publications on the subject of wine.

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### Countries and regions currently not in demand

With the exception of Egon Müller, investing in sweet wines of any kind, e.g. Sauternes, is not worthwhile, although the prices are attractive and they age well if stored correctly.

Latin America and South Africa have also not shown any interest to date. Fine red wines from Spain (Vega Sicilia and Pingus) and Australia (Penfold’s “Grange” and Henschke “Hill of Grace”) are also not particularly profitable for the investor, although a variety of outstanding wines are being produced. Exports of Australian wine have been badly affected by the imposition of high tariffs from China on bottled wine – including any fine wines – to mainland China since November 2020 (exports to China, including Hong Kong SAR, fell 79% in value in the year up to end-March 2022), which is another example of the potential risks when investing in wine.

Investors should keep an eye on how German wines like Riesling and Pinot Noir are developing (e.g. Keller G-Max), not least because the concept is very similar to that of Burgundy and the available quantities are limited.