



Investor News



WINE INVESTMENT SERVICES

June 2008

Grays Sale

At last the long awaited Grays sale is over. The entire process took much longer than expected but is now done.

There are some serious issues learnt from this exercise and some are a little alarming.

First, it seems the secondary wine market is now quite glutted with many Heritage wines and some lines returned very poor values from the sale. It's doubtful whether it is possible to have another go at putting them through auction again. The problem is that we still have enormous quantities of these wines in stock with many not even nominated for sale yet. This obviously is having a strong deflationary effect on the values of these wines and investors ought look at their current nominations and make a decision about what to do with them.

It will take us another few weeks to analyze the results of such a large sale and be able to give some accurate advice. We will be processing the results of the auction soon and sales advice emails will be sent to all participating investors who sold their wine.

As for the problem wines, we are working on strategies to tackle such large exposure to these volumes but ultimately it will get down to the price investors are willing to sell.

If you are holding these wines in quantity it is now time to reassess your plans for them. These wines alone constitute a very high percentage of total

Heritage wines and with the market now glutted with them, prices are under pressure.

The Binder Mitchell series, Vito and Secret Places seem to be selling well at Wine For Life but the Nefertiti/Nefertari wines are seriously over-priced in their nominations. Our competitors are selling these wines for no more than \$20 each and even then I don't know they are doing much volume. At Langton's they averaged about \$17/bottle and our average nominated price is \$34.

Now, I know the median value listed is this value but it is about to be reviewed in line with current market values. My advice is to do a quick check on the net for competitors then renominate at a more attractive price.

Mount Langi has the problem of being a bit past its prime. The 2005 is out in retail and getting great reviews but the 97,98,99 vintages are now under pressure to sell. I want to stress that these price pressures in no way diminish the quality of these wines. Its simply a question of supply and demand. There are so many good wines on the market that we cannot sell wines priced uncompetitively against them.

If you have nominated the wines below for sale please check the updated median values in WAM and make your decisions accordingly.

- Brad McPherson -

Wine For Life Top 10

1. 2002 Neck Oil Shiraz Grenache
2. 2002 Hanging Rock Shiraz
3. 2001 Vito McLaren Vale Shiraz
4. 2001 Kilikanoon Parable Shiraz
5. 2002 Binder Mitchell Dovetail
6. NV James Estate Grand Cuvee
7. 2000 Primo Estate 'Joseph Moda' Cabernet Merlot
8. 2002 Lumberjack Barossa Valley Shiraz
9. 2001 Gartner Coonawarra Cabernet
10. 2001 Kilikanoon Covenant Shiraz



Wines of Concern

Binder Mitchell
 Glaetzer Nefertiti & Nefertari
 Vito Shiraz
 Mount Langi Ghiran
 Secret Places
 Mouthpiece Cleanskins

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Nomination Pricing

Most investors nominate in a range around the median estimated value given in WAM but a few still wildly speculate on prices climbing in the short term. They won't.

The secondary wine market is not that big and there is a huge volume of wine going into it, not just from us but from our competitors as well. There is also a huge choice available to buyers so please don't make the mistake of thinking that because Robert Parker gave your wine a great score in 2002 it will suddenly come back into vogue. The market has moved on and though the wines in Heritage are of excellent quality, they have to compete with thousands of other wines of excellent quality. If you want to sell at all you have to be realistic about the price. Our buyers are very wine savvy, very well connected and have an detailed understanding of the market. Many get their tips from influential wine review sites and act accordingly. The recent viral selling of 2002 Hanging Rock and the Primo Estate Joseph 'Moda' shows how influential the on-line press is in steering business. If your nominations were dearer than the price resistance points created by buyers then you missed out. It's difficult to know how high buyers will go but if you are too far away from the average price your wine will not sell and buyers will move onto something else.



How do I sell my Grange?

At the moment, WIS has the world's largest collection of Grange in storage. There are literally thousands of bottles, even four vertical sets from 1951 to 1998 and dozens of smaller verticals.

Many investors are confused about what to do with them and what values they are likely to bring. Of course, one of the great things about Grange is it's premier status as Australia's most iconic wine. This does not make it immune to fluctuations in price but it does have stability compared to lesser wines and over time will most likely accrue value. A lot depends on bottle condition such as label and cap quality and ullage. A bottle that has been test at a Penfolds clinic give a buyer certainty and improves value.

The most asked question is about breaking up verticals. Is it better to keep a vertical or sell the individual bottles. It depends.

For a full vertical or even a 1950's straight run there maybe only a handful of people in Australia willing to pay such a premium for what

are essentially bottles of Shiraz so if you are holding out for that event, it might take years for a sale to come your way. A bottle of 1954 Grange could sell for between \$12 and \$15k depending on condition so you might have to consider the benefits of a bird in the hand...

Later verticals are less rare and are more affordable but sales of straight runs are comparatively rare. If you are looking to reduce your exposure you could nominate the earliest and the latest vintages of your run which will shorten your vertical but not break it up. The main issue you face in terms of value is that Grange vintages from the '80's onwards are not particularly rare and price elevations are due to factors such as the quality of the vintage and current market sentiment. It will take many years, even decades for a 1998 Grange to reach the same price as a 1955 or 1971. If you don't consider yourself a serious wine collector, the best solution is probably to sell rather than hold but remember that our buyers are probably serious wine enthusiasts and know exactly how much to pay. To liquidate your Grange portfolio sooner rather than later it is far better to be prepared to sell bottles individually.