

THE VAULT

JUNE 2024

FOR LOVERS OF FINE WINE

XVII



Image courtesy of Christie's

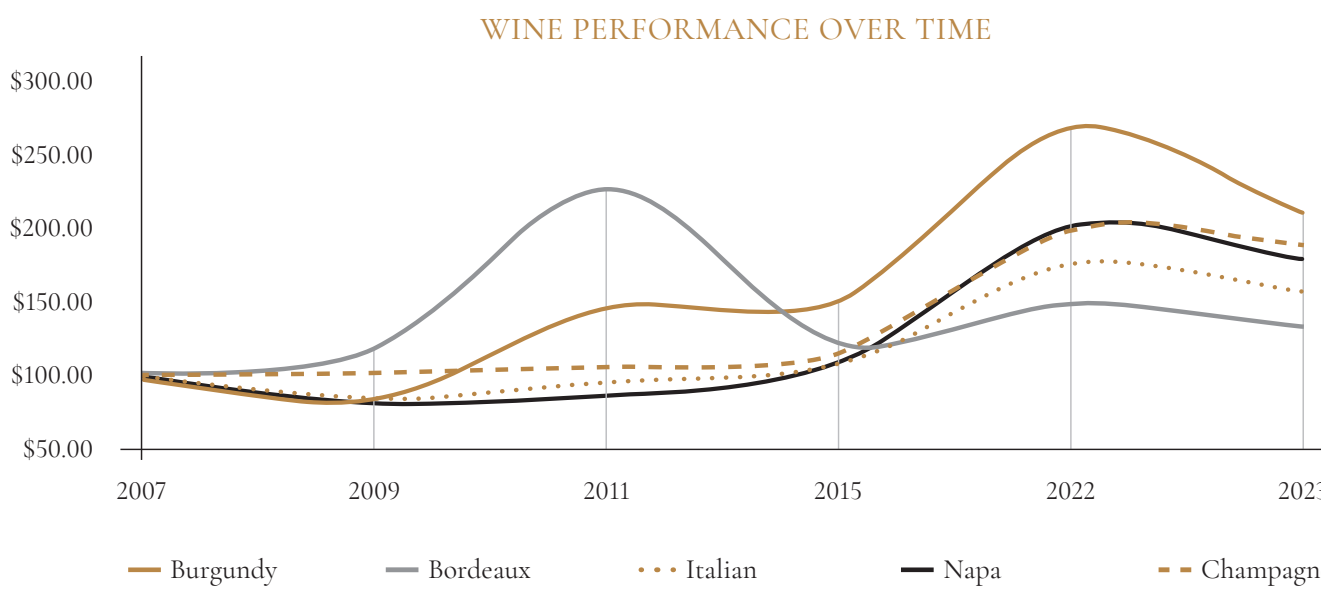


Published by Octavian
Corsham Cellars, Eastlays, Gastard, Corsham, Wiltshire SN13 9PP
T +44 (0)1225 818714 E care@octavian.co.uk www.octavian.co.uk





HISTORICAL WINE PERFORMANCE BY REGION*



* Each region's starting price has been based at \$100 to show returns over time. Each region is comprised of 5 vintages from the top wine in that region. Annual return calculated using the actual performance at auction of the top 5 wines in each region.

WELCOME TO THE VAULT, AN OCTAVIAN PERIODICAL

As the world's leading fine wine storage provider skilfully goes about its business, appearances may belie the hive of activity that is constantly underway at Corsham both above and below ground. It is fair to say that while many a fine wine collection rests here, growing in quality and accruing in value amidst perfect storage conditions, the fine wine industry is nothing short of dynamic. At Octavian we have certainly enjoyed another busy and productive year.

Over recent months we have seen a marked increase in wines going to auction and a busy secondary market – a reminder that, as MW Charles Curtis points out in his 2024 Market Update, investors still see fine wine stock as an asset class. Turn to his piece for invaluable insights into the price correction to 20% experienced last year, a review of recent trends and the anticipation of the scales tentatively tipping back once again, with the prospect of interesting buying opportunities and for those selling, strong prices for rare and sought after wines.

Though it does not require the meticulous storage conditions that fine wines demand, whisky is taking up increasing shelf space within our cellars. As interest in 'liquid gold' grows, we are pleased to offer whisky collectors the same level of insurance, stocktaking accuracy, traceability and trust that we attribute to every bottle within our custodianship. Octavian always has been, and always will be so much more than a warehouse! To the reflect the increasing interest in whisky we have introduced a new column to The Vault and are delighted to welcome Henry Jeffreys – author and Fortnum & Mason Drink Writer of the Year 2022/23 – as our inaugural contributor.

For the benefit of all Octavian account holders – fine wines and whiskies alike – we continue to invest heavily in the business while reducing the impact of our operations on the environment wherever possible as part of our sustainability strategy.

We have increased our recycling efforts across all areas of the business, and since environmental regulation is key to maintaining Octavian provenance, have recently upgraded the dehumidifiers throughout our cellars to more effective and energy-efficient models. We have also called time on the old hydraulic train that has served us so well for the past 30 years in moving precious stock up from and down to Corsham cellars – something of an Octavian icon, pictured on page 6 – and upgraded to a new electric model.

I hope you enjoy this issue.

Vincent O'Brien
Octavian Managing Director

MARKET UPDATE

CAUTIOUSLY OPTIMISTIC, CHARLES CURTIS MW REPORTS ON SIGNS OF REBOUNING PRICES, SOLID SALES TOTALS IN THE FALL OF 2023 AND A MARKET THAT CONTINUES TO DISPLAY RESILIENCY.

Investors are increasingly drawn to fine wine as an asset class. Tangible assets, such as wine (along with art, classic cars, and other collectables), can provide a helpful hedge against equity markets because they do not index to these markets. The stock market can go down (as in 2022), and yet the value of wine can rise. However, this low correlation does not mean that wine prices do not show volatility—the price of blue-chip wines will certainly fluctuate over time. It is equally possible that the stock market will go up and the price of wine will fall. In 2023, wine prices showed a correction on the order of 20% despite a bull market for stocks. Sellers who felt pressure to bring their collections to market in late 2023 did not capture the full potential for appreciation of their collection. Still, there are signs that the 2023 market correction has bottomed out, and prices are beginning to rebound.

THE CORRECTION

Rob McMillan of Silicon Valley Bank expects the overall market for premium wine to decline in volume but increase in value when the figures from 2023 are finalised, according to his State of the U.S. Wine Market 2024 report recently issued. On the other hand, prices in the secondary market experienced a correction in 2023 but are expected to return to growth in 2024. Fine wine exchange Liv-Ex quoted the overall correction as -12.3% through the end of Q3 2023. David Parker, owner of the authoritative website WineMarketJournal.com (which tracks the secondary market), estimated a correction of -19% for FY 2023. In the U.K. market, fine wine trader Guy Willings of l'Assemblage noted, 'By January 2024, we were speaking to more sellers than buyers for the first time in over twenty years.'

Image courtesy of Christie's

In some instances, optimism appears warranted, while a darker view seems justified in others. U.S. auction house Acker held their annual La Paulée sale on 29 February – 1 March 2024, proudly announcing the \$16m total as the 'fifth biggest sale in [their] history'. However, individual results told a story of stubbornly soft prices. For example, a case of 1999 Rousseau Chambertin sold for \$5,000/btl with premium. This sale represents a slight increase for the YTD average, yet a decline of 24% from the 2022 peak of \$6,578. Similarly, six bottles of 2005 Romanée-Conti sold for \$112,500 (\$18,750/btl), down from an average of \$23,069 last year, a further decline from the \$26,163 average per bottle in 2022. It seems likely, however, that the rest of the year should improve. A look at recent trends will provide a bit of background.

BACKGROUND

Sales totals for fine wine at auction at the end of 2021 shattered all previous records. The aggregate total reported by the six largest wine auction houses (Sotheby's, Christie's, Hart Davis Hart, Acker, Zachys, and Baghera/wines) was \$566.1 million. The market's previous peak, reached in 2018, was an aggregate total of \$468.9 million. Within this market, wines from Burgundy were trading at record highs, and although wines from Bordeaux had given up market share in recent years and have lagged in price since 2011, they had begun to rebound.

Throughout 2022, there appeared to be widespread doubt about the ability of the market to sustain the sort of prices typical throughout the record-breaking prior year. However, the momentum of 2021 lasted well into the second half of 2022, but by the third quarter of 2022, the market had begun to slow, and despite the optimism, there were stumbles. Despite the volume of sales, prices started to slip. The trend continued into 2023; among the most significant corrections in the first half of the year was 1993 Leroy Musigny, which averaged just half the high it achieved in 2022 when prices attained nearly \$40,000/btl. Romanée-Conti 1990 was also trading lower, averaging \$22,143/btl in 2023, down -23.4%. Bordeaux was not immune – 1982 Lafite was down under \$2,100/btl from more than \$2,700 in the previous year, a drop of -23.4%, while others slipped less: 1986 Mouton lost -6.9% of its value in the first half, to trade at \$844/btl, and 1996 Krug Clos du Mesnil averaged \$2,673, a loss of -2.9% on its 2022 average, and an increase over where it was at the end of 2021.

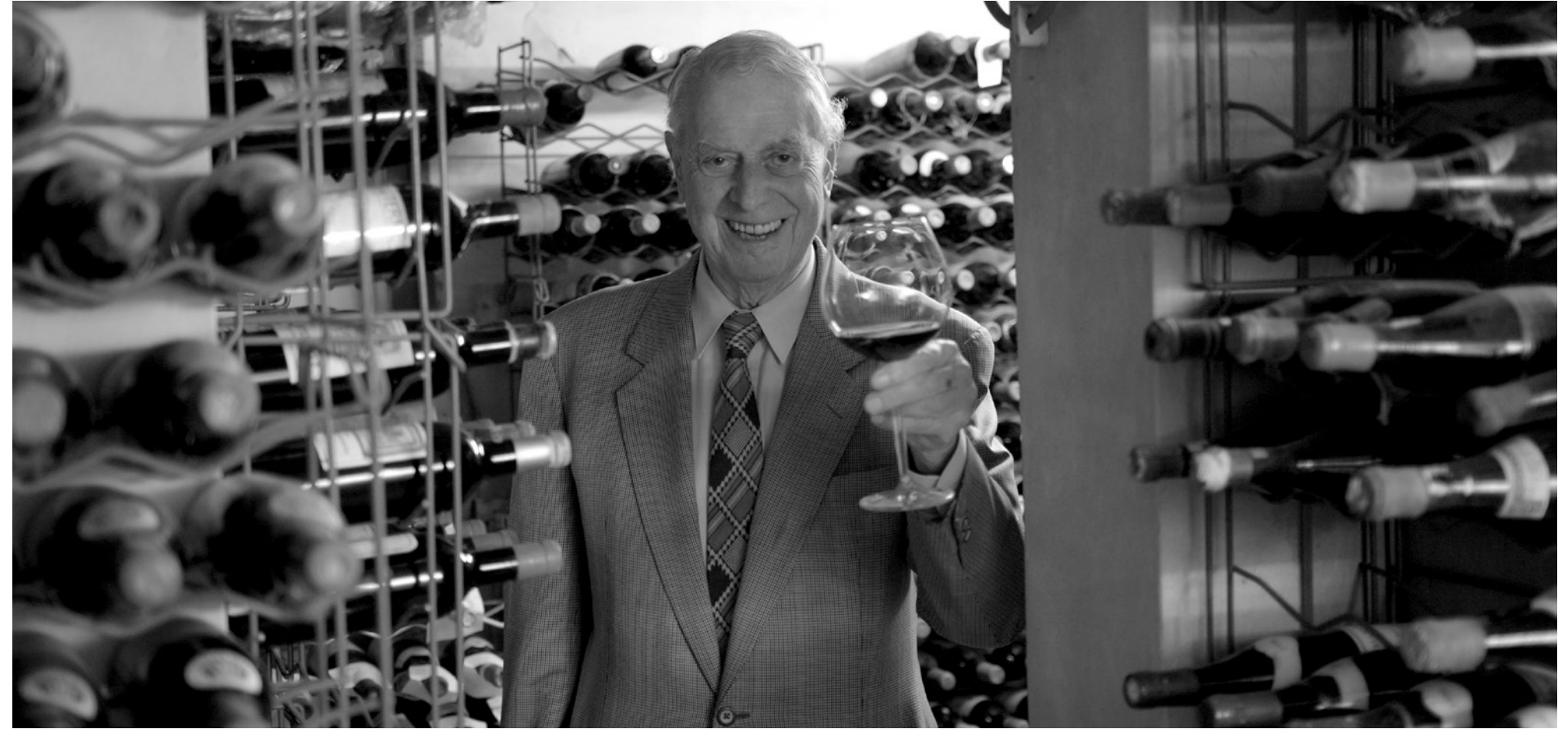
H2 2023

Initial evidence of the fall season in 2023 seemed positive. Acker and Sotheby's sold in the first week of September, with solid sales totals. Sotheby's put a new team headed by Nick Pegna, formerly of Berry Brothers, and they

announced a robust \$9.3 million result (98% sold) for their first New York single cellar. Further sales included the Ian Mill sale at Zachys in September of 2023, totaling \$10.3 million. However, the first of five sales for Taiwanese billionaire Pierre Chen at Sotheby's was even more notable, generating \$16.8 million.

...THERE WERE (AS ALWAYS) HIGHLIGHTS FOR TOP PROPERTY IN GOOD CONDITION WITH GOOD PROVENANCE

The annual charity auction for the Hospices de Beaune in Burgundy occurred in the same week as the Pierre Chen sale and produced another \$27.4 million in sales, while Christie's also turned in a strong result for Dutch collector Dr Botenga, which earned a total of €6,116,612. Although these figures represent a decline in both volume and value for collectable wine, there were (as always) highlights for top property in good condition with good provenance.



Dutch collector, Dr Botenga. Image courtesy of Christie's.

(Continued on page 7)



“THEY DON’T MAKE WHISKY LIKE THAT ANY MORE”

DRINKS WRITER AND MASTER OF MALT EDITOR, HENRY JEFFREYS
EXPLORES HOW DESPITE DRAMATIC CHANGES IN THE INDUSTRY,
THE SUBLIME MAGIC OF OLD SCOTCH WHISKY ENDURES



One of the great pleasures of trying very old whisky is not just tasting something that has been matured for a long time but tasting whisky as it used to be made. Last year I was lucky enough to attend a tasting of a very old Milton bottled by Gordon & MacPhail. This is from the Speyside distillery now called Strathisla, it was distilled in 1949 and spent 72 years ageing in a refill sherry puncheon. It was hard to describe the flavour but there was a musty spiciness like very old manuscripts and leather with an unmistakable waxy quality. The man from Gordon & MacPhail commented that they don't make whisky like that any more.

In the past 50 years the Scotch whisky industry has changed out of all recognition. Whisky is more consistent, you're much less likely to get a bad bottle but there is a growing feeling that not all the modernisation has been desirable. As whisky bottler Angus MacRaidl aka Whisky Sponge wrote "efficiency is the enemy of character."

This began in the field when new types of barley were introduced after the war. They produced more sugar when malted but arguably had less flavour than the heritage varieties like Plumage-Archer and Spratt-Archer. Maltings were centralised replacing the old floor maltings at each distillery where the barley was turned by hand. Fermentation times were brought down with the introduction of more efficient yeasts to around two days. In contrast, wine can ferment for months. For distillation, the old wood and coal-fired stills were out and in came steam-heated ones.

The efficiency drive began in the 1950s but really gathered pace in the '70s and '80s. Old whisky aficionados generally see the '80s bottlings as the last of the old-style whiskies though traditional practises lingered at some distilleries until more recently. And still do, Glenfarclas uses direct-fired stills to this day. Interestingly the Japanese, who modelled their industry on Scotland, persist with techniques that have died out in Scotland.

The final nail in the coffin of old timey Scotch was when Spain joined the EEC in 1986 and sherry had to be bottled in Spain. Previously wines were shipped to Britain in wooden barrels and bottled here, meaning that sherry casks were plentiful. After that many distilleries switched to bourbon barrels or used casks that are seasoned especially, usually with low grade sherry.

THE HEALTH AND SAFETY WAS
SHOCKING BECAUSE EVERYONE WAS
HELPING THEMSELVES TO THE WHISKY



We mustn't get too misty-eyed over the old days. Fermentations went wrong producing volatile compounds like vinegar. Stills might get burnt, casks would leak and be laden with undesirable bacteria. Oh, and the health and safety was shocking because everyone was helping themselves to the whisky.

The Scotch whisky industry today produces a consistent, high-quality product. But there is a growing awareness that something has been lost. And once lost, it is very difficult to get back as Diageo is finding at the revamped Brora distillery which reopened in 2021. It was closed in 1983 during the so-called 'whisky loch' period when there was far too much whisky around. Though Brora was well-regarded by blenders it was, like most distilleries, a workhorse for blends like Johnnie Walker, and when the powers that be decided it was no longer needed it was unsentimentally shut along with Port Ellen on Islay and others.

SOMEHOW, AND REALLY NOBODY
KNOWS EXACTLY WHY, THEY HAVE
LASTED THE TEST OF TIME

But as older and older releases from the remaining stock were bottled, gradually whisky lovers woke up to the magic of Brora, that incredible waxy, oily texture. The novelist Lawrence Osborne described it as "the loveliest of all single malts" and it's hard to disagree. Occasional barrels have a funky flavour that is reminiscent of Château Musar or Château de Beaucastel. Unlike with say a great Cognac or vintage Port, they were not

designed to be aged for decades but somehow, and really nobody knows exactly why, they have lasted the test of time. A similar thing happened with Port Ellen which has just reopened this year.

The trouble is that now that Brora is up and running again, the distillers aren't quite sure how to recreate that unique Brora style or rather styles. They've rebuilt the distillery as exactly as possible but the waxiness is proving elusive. Wine in comparison is straightforward, get it right in the vineyard and don't muck it up in the winery and you're most of the way there. But with whisky there are so many factors at play, from the barley in the field to the casks for ageing, get one wrong and you'll get an ordinary whisky. But get it all right, and then wait for 20 or even 70 years, and you might have something sublime. That's the magic of Scotch whisky.



TRANSFORMING FINE WINE TRADING WITH TRANSPARENCY, SECURITY, PROVENANCE AND VALUE

LEARN ABOUT 'MY CELLAR', THE TRADING COMMUNITY
EXCLUSIVELY FOR OCTAVIAN VAULTS CUSTOMERS

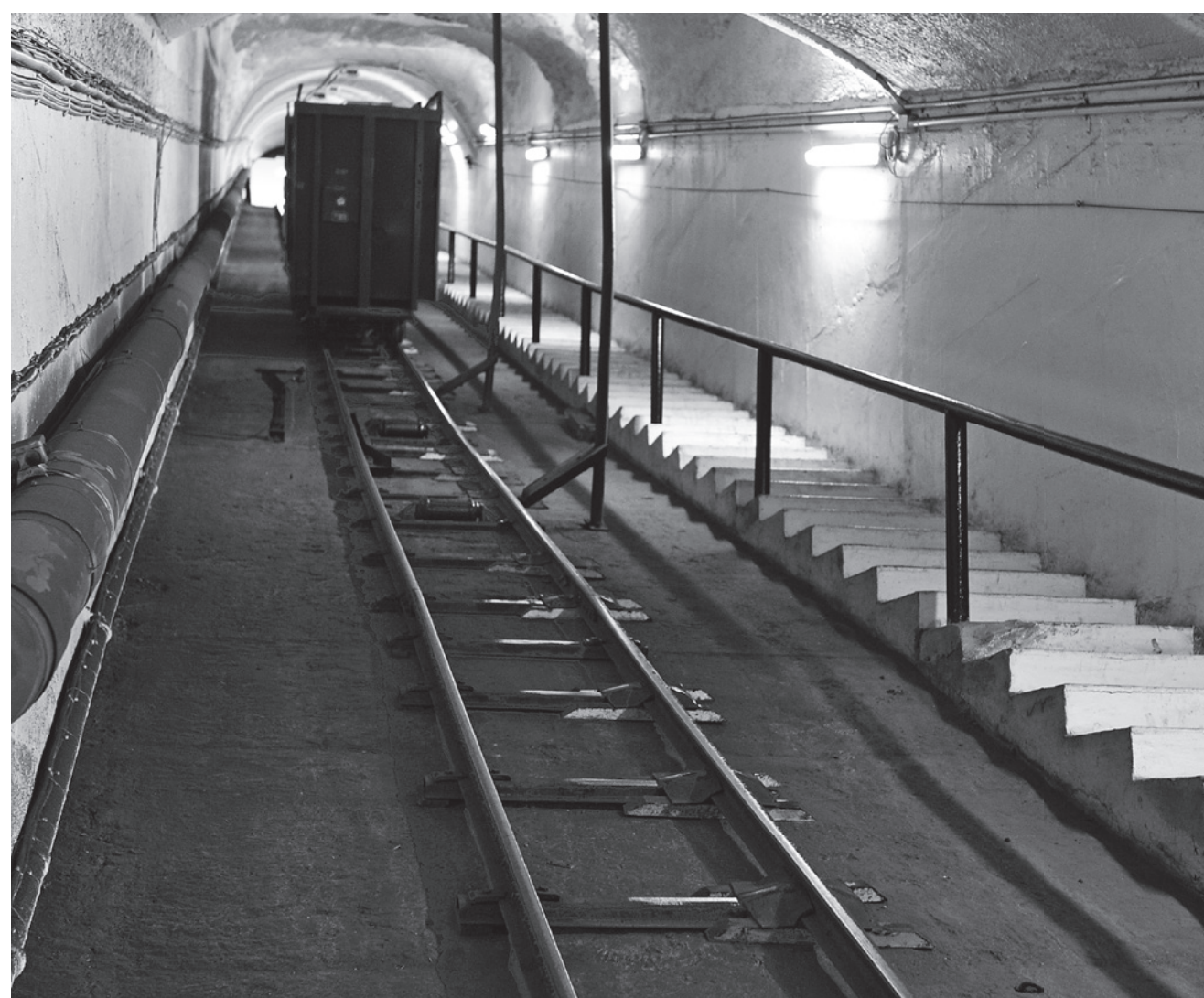
Recent articles on the global fine wine market report on the dominance of Bordeaux and the growing importance of whisky, something that we at Octavian have been observing for some time.

Octavian MD, Vincent O'Brien explains that observing which products are being moved into and out of their elite storage facility gives an insider's view on emerging trends. And this intuition has deepened since the launch of Octavian Vault's trading portal, 'My Cellar' which allows verified Octavian Vaults collectors to buy and sell Octavian-stored wine with each other.

Powered by WineOwners - market-leading wine-collection software - MyCellar trades offer unique benefits, reassurance and security for collectors buying and selling fine wines stored at Octavian. Each case offered on the portal is tracked from the beginning of its time at Octavian, showing the duration of cellarage in our ideal storage environment. "The length of time stored at Octavian has been a key driver for purchases of the high-value wines," says O'Brien. "When buyers know that a case has been with us for six, seven, even ten years and more, they know the provenance is good and feel reassured making a significant purchase."

MyCellar lists each sale with a high-resolution photograph of the specific bottles and case offered for sale. These photographs are taken in Octavian's own studio: "We never use a generic image, or one sourced from a general catalogue, which is a surprisingly common practice," explains Vincent. "Buyers should be able to see the individual condition of every bottle they buy online."

Octavian MyCellar trades also reduce the risk of damage to or loss of bottles during a purchase, as wines do not leave the premises, and handling is kept to a minimum.



"OCTAVIAN-CELLARED"
GIVES ADDITIONAL REASSURANCE
TO BUYERS

And thanks to Octavian's unmatched insurance policy, wines remain covered, with no uncertainty or potential for misunderstanding. Payments are made on average seven days after receipt of funds from the purchaser.

O'Brien launched the MyCellar trading platform in 2022, at first exclusively for Octavian Vaults collectors. The security and identity checks required to open an account at Octavian further strengthen the appeal



of the platform, as the risks of dishonest or simply opportunistic offers are reduced by everyone being part of the Octavian validated community. One notable trade between Octavian collectors was for a case of Petrus 1970 at £37,000, but diverse values, styles and quantities have been traded by collectors who value the convenience, transparency, value and convenience of the service.

INCREASINGLY BUYERS ARE
WILLING TO PAY MORE FOR
WINE THAT HAS BEEN
CRAFTED FROM VINEYARD
ALL THE WAY TO CELLAR

O'Brien was approached by trade buyers, including sommeliers from fine-dining restaurants, who were interested in buying Octavian-cellaried mature fine wines from private collectors. Today, a small but growing number of trade buyers have opened Buyer accounts for the MyCellar platform, further expanding the market for Octavian Vaults collectors to sell their wine.

O'Brien - a great democratiser of fine wine, as well as a passionate advocate for transparency - says that "The peer-to-peer market for fine wine has huge potential. We have seen that being 'Octavian-Cellared' gives additional reassurance to buyers. We think that great cellarage is the ultimate part of making a great wine, and increasingly buyers are willing to pay more for wine that has been crafted from vineyard all the way to cellar."



MARKET UPDATE

CONTINUED

· 2024 ·

Looking beyond the headlines, it seems apparent that demand has softened, and prices have dropped from their peak in 2021 and 2022. As the 2024 sale season gathers steam, one sees auction houses trying to recapture their momentum with aggressive deal-making in hopes of continuing to bring top wine to market. Anecdotal evidence from sales attended in person in Q1 2024 and for deals negotiated in the New Year suggests they may succeed. In the broader market, it is unlikely that fine wine (particularly Burgundy) will decline in price, and the prognosis for most wines in this category is that prices will remain stable or trend slightly up for the next twelve months.



Michel Roux outside of Le Gavroche. Image courtesy of Christie's.

A conversation with London-based director of Christie's wine department Tim Triptree brimmed with excitement as he described the next instalment of the Avery family sale on June 6 & 7. Triptree was fresh from his success with the web-based sale of wines from legendary restaurant La Gavroche, with many lots exceeding the high estimate to

I RATHER OPTIMISTICALLY SAW
[THIS SPRING AS] A PERFECT STORM
ARISING AND PURCHASED SOME
SUPERLATIVE CELLARS

produce £1.8m in sales. 'Mature Bordeaux is doing well, and although prices of Champagne have come down a bit, in the Le Gavroche sale, we achieved strong prices for rare and top-end Champagne.'

Erasmus reminds us, 'There's many a slip 'twixt the cup and the lip.' This adage may be particularly true in 2024, with wars in Europe and the Middle East, inflation, and significant elections slated in the U.S. and the U.K. However, the wine market continues to show resiliency, and savvy buyers should be able to fill the gaps in their collection at a reasonable price. As Guy Willings of l'Assemblage notes, 'I rather optimistically saw [this spring as] a perfect storm arising and purchased some superlative cellars. However, until [the election], prices are likely to remain soft, but there will be plenty of buying opportunities for investors.'