

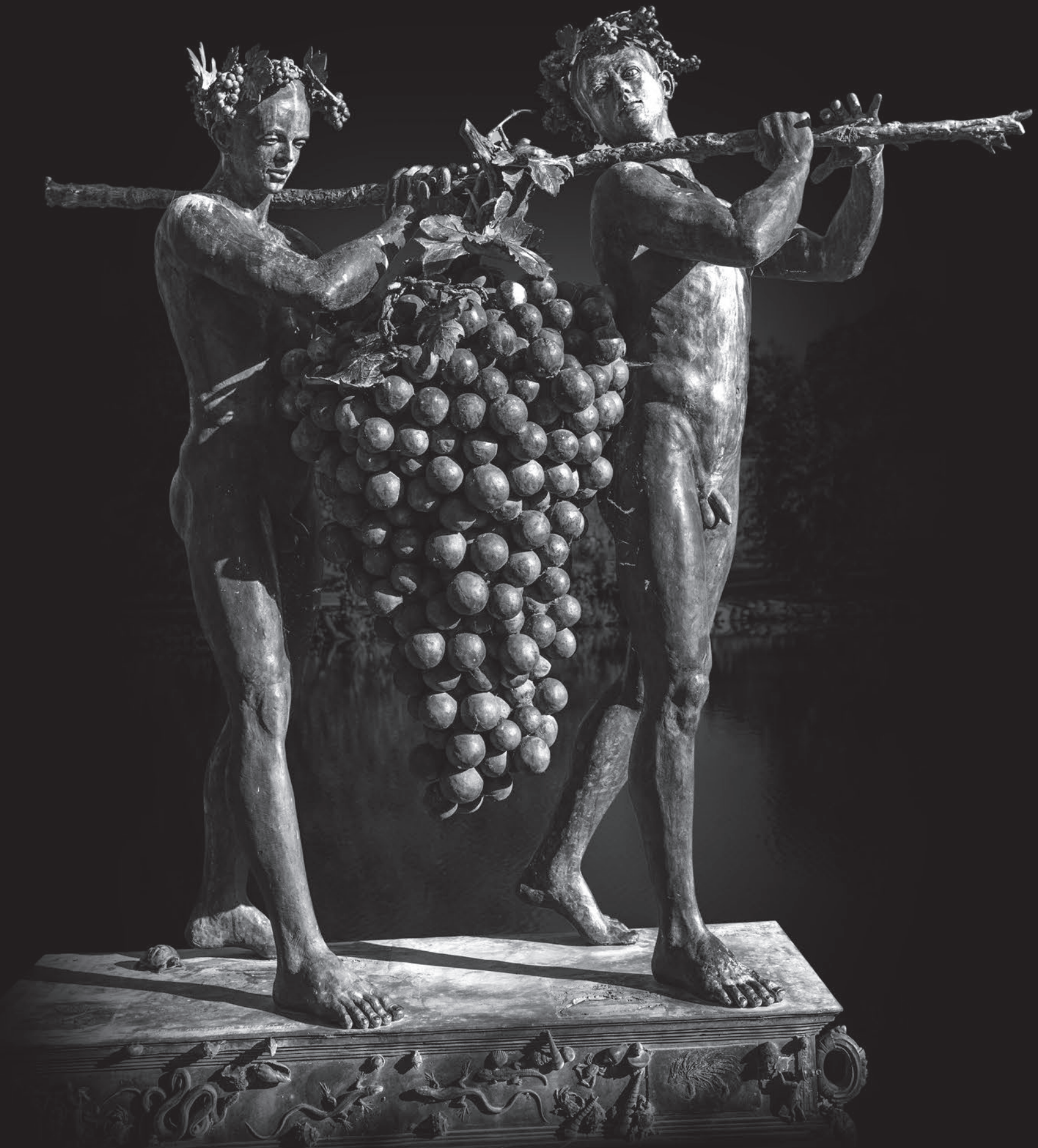


THE VAULT

JUNE 2020

FOR LOVERS OF
FINE WINE

XIII



OCTAVIAN



THE RARE WINE MARKET OUTLOOK 2020

WELCOME TO THE VAULT, AN OCTAVIAN PERIODICAL

It goes without saying that life has changed dramatically for us all over recent months. The wine, drinks and hospitality sectors have been particularly hard hit and our hearts go out to those whose lives and livelihoods have been, and sadly continue to be, adversely affected.

Closer to home, Octavian's focus has been on ensuring the safety and well-being of our staff, whilst striving to minimise business disruption for our customers. We continue to closely follow government updates on the COVID-19 situation in the UK and make the necessary operational changes, as they evolve, to ensure that business can continue safely.

I'd like to take this opportunity to thank all Octavian colleagues for their understanding and commitment. Our team has adapted quickly to new ways of working under lockdown - conducting their roles from home where possible, or for those unable to do so, with social distancing best practice at Corsham. If, as a result of the changes we have put in place, you as a customer have experienced any delay in our response to your requests or enquiries, we apologise and thank you for your patience.

I am delighted that we have been able to rise to the challenges presented and that even in such difficult and uncertain times, there are things to be celebrated. Our new collection management portal, 'mycellar' is now live - see page six for more details - and for customers who wish to enjoy bottles from their collections throughout lockdown and its gradual easing, we are delivering into London on a next-day basis.

As Charles Curtis' market analysis reveals, the appetite for fine wine collection remains strong, buoyed by the ability for transactions to take place online. The financial security of assets stored at Octavian is beyond reproach, details founder Nigel Jagger on page seven, cautioning that not all custodians may be so fastidious. And, for a little light relief, the wonderful Elin McCoy's main feature invites us to ponder with her whether wine should be considered art. See what you think.

I hope you enjoy this issue and stay safe and well over the coming months.

Vincent O'Brien
Octavian Managing Director



“SAVVY COLLECTORS THAT CAN REPEATEDLY RECALIBRATE DURING THESE TIMES WILL COME OUT OF THEM WITH A HANDSOME COLLECTION THAT IN TIME SHOULD APPRECIATE SHARPLY.” CHARLES CURTIS MW CONSIDERS WHERE THE FINE WINE MARKET HAS BEEN, AND IN THESE UNPRECEDENTED TIMES, WHERE IT IS HEADED.

· IMPACT ON REGIONAL BALANCE ·

Although 2019 registered a decline of 6.6% in wine auction sales from 2018, a careful observer will likely discern that it was another big year for the category, with global sales at live auctions totaling \$437.8 million. This total is the third-largest in the history of wine auctions. It followed an exceptional year in 2018, where the aggregate of all live wine auction sales by international houses was \$468.9 million, exceeding the previous market peak in 2011 when live sales totaled \$442.5 million. Sales in the aggregate were thus more than \$30 million less, but to complete the picture, one needs to factor in the 2018 auction in Geneva from the estate of Henri Jayer, which totaled over \$34 million. This single-owner sale was more than the difference between 2018 and 2019 globally. Correcting for this one anomalous sale shows a small increase over 2018 in most categories.

Initially it appeared to many that the market would begin to cool in 2019 - how could it not? But the strength of the buyer's demand remained nearly unchecked. Sales appeared to slow at the end of the second quarter going into the summer, but after a reasonably short build in Q3 the pace in the final quarter was as steady as ever. High prices and excellent results brought more property out of cellars as long-time collectors took some profits from the market, and conservative buyers had few opportunities in November and December as prices continued to bump against record highs. These results were particularly surprising against the backdrop of the civil unrest in Hong Kong. While the streets were empty, buyers migrated online and sales continued.

During this highly-charged year, there were significant shifts in the dynamics between the major players in the industry. Sotheby's remained the number one wine auction house by volume by a much larger margin than last year, with \$116.5 million in sales, up +16% from \$97.9 million in 2018. Zachys was in second place at \$101.2 million in sales, an impressive 29.9% increase from their third-place finish in 2018. Acker, however, suffered a loss of more than 20%, slipping from second to third place with sales of \$79.8 million. The rest of the field also sold less than they did in 2018.

Sales in the U.S. continued to grow and were up 4.9% to \$222.7 million. New York sales totaled \$152.7 million, with the rest split between Chicago and California. Despite the unrest in Asia, Hong Kong also continued to grow, up 2.7% to \$147 million, despite the lack of a Christie's wine sale in Shanghai. Balancing these increases was a decline in European sales by 67.4%. Although totals grew slightly in the U.K. with the inclusion of the \$12.3 million in whisky sales in Scotland, results elsewhere were down. Geneva was down in sales more than 500% due to the Jayer sale that occurred in 2018. The Hospices de Beaune sale in Burgundy also dropped 14.1% to \$14 million. This is normal variation, however, and due to lower volumes available for sale: there were 589 barrels this year compared to 828 last year. However, the average price per barrel increased more than 32% than in 2018 on the heels of a robust reception for the 2019 Burgundy vintage.

Prices for Burgundy wine have been high. One factor fueling the increases has been scarcity. Wine production is tiny - just 1.4 million hectoliters in total across the entire region, 4.1% of the French output by volume. Of this already small figure, premier crus account for 10.2% of total production, and grands crus, just 1.4%. Despite the low production, Burgundy has an outsized impact. At €1.7 billion last year, sales of Burgundy account for about 20% of all French wine exports overall. In the auction market, the dominance of Burgundy is even more pronounced, with most auction houses reporting more than 40% of their sales or more are Burgundy wine. Sotheby's announced that for 2019, 50% of their turnover in the wine category came from Burgundy wine, and 22% of the total was from Domaine de la Romanée-Conti alone.

Bordeaux has also been dropping across the board in the first quarter: '90 Cheval Blanc declined by 2.0% compared to the same period last year. The powerhouse '89 Haut-Brion was also down 2% and 1982 Lafite dropping by nearly one-third in reasonably active trading to average just over \$2,500/btl, and 2000 Pétrus was down over

10% to average \$3,900/btl. Leading indicators for other wines showed either modest growth or mixed results. Champagne continued to show moderate growth, while the Rhône and California showed mixed results, with big-ticket items such as '97 Screaming Eagle and '90 Conterno Monfortino declining (-11.2% and -17.5% respectively). In comparison, less expensive Masseto and '94 Dominus rose moderately (+7.7% and +6.8% respectively).

However, Burgundy and Champagne enjoyed record years in 2019 with exports increasing by value (and by volume for Burgundy wine). For Bordeaux wines, results are somewhat more mixed. They have enjoyed a run of strong vintages, and the 2018 vintage was among the best. The 2018 primeurs campaign (which took place between April and July of 2019) saw strong sales for top-rated wines among the well-known producers, but lesser-known names struggled. Merchants also had difficulty selling through their purchases given uncertainties in the U.K. over Brexit and problems in Hong Kong due to rioting. Compounding matters for the Bordelais is the rather unfortunately unfashionable nature of their wines at present, which depressed prices in both the primary market and the auction market. Producers have responded by limiting the size of their initial release to buoy prices.



Image courtesy of Heritage Auctions, HLA.com.

Despite several adverse conditions, the market for collectible wine still turned in a very creditable performance in 2019. Although there was nothing comparable to the Jaye sale to push the numbers over the top, the market continued to show resilience.

Moving forward into the first quarter of 2020, however, we see the market for collectible wine transformed from where it was just three months ago. Early January is normally an exciting time in the auction world. Fifteen years ago, there were no sales during this time and little demand from Asia. With Hong Kong opening itself to wine sales in 2008, sales in advance of Chinese New Year celebrations became common and lucrative. This year, Acker managed a 944-lot sale that earned \$7.3 million on January 11th, but this was the last live sale that took place in Asia this year. Neither Zachys, Christie's, nor Sotheby's staged a Q1 sale in this high-revenue venue. By the end of Chinese New Year in China, the COVID-19 virus had erupted, disrupting life for everyone there, although sales continued apace in the U.S. and Europe. February sales in the U.S. included a \$9.7 million auction by Acker in New York, and a \$5.9 million auction by Hart Davis Hart in Chicago, all with high sell-through rates. The trend continued into March, with Zachys executing a sale of over \$9.9 million during the first weekend in March (99% sold), among other auctions, including a \$3.3 million auction at Bonham's California that was 99.7% sold.

THE MARKET FOR FINE AND RARE WINE: LEADING INDICATORS, Q1 2020

LEADING INDICATORS: AVERAGE SALE PRICES WITH PREMIUM FOR ICONIC WINES / 2020 Q1 UPDATE

VINTAGE	WINE	PRODUCER	2020 Q1	2019 Q1	% Δ
1996	Brut Vintage Clos du Mesnil	Champagne Krug	\$2,114.00	\$2,047.00	3.3%
1990	1er GC Saint-Emilion	Cheval Blanc	\$1,125.00	\$1,148.00	-2.0%
1989	Pessac-Leognan	Haut Brion	\$1,957.00	\$1,997.00	-2.0%
1982	Pauillac	Lafite	\$2,503.00	\$3,742.00	-33.1%
1986	Pauillac	Mouton	\$862.00	\$958.00	-10.0%
2000	Pomerol	Petrus	\$3,909.00	\$4,492.00	-13.0%
1990	Romanee Conti	DRC	\$19,526.00	\$27,368.00	-28.7%
1999	La Tache	DRC	\$6,312.00	\$6,229.00	1.3%
1993	Musigny	Domaine Leroy	\$20,570.00	\$18,396.00	11.8%
2010	La Romanee	Liger Belair	\$5,778.00	\$5,726.00	0.9%
1990	Chambertin	Rousseau	\$4,092.00	\$5,671.00	-27.8%
1996	Corton Charlemagne	Coche Dury	\$4,854.00	\$6,013.00	-19.3%
2005	Montrachet	DRC	\$6,927.00	\$8,878.00	-22.0%
1999	Cote Rotie La Mouline	Guigal	\$583.00	\$611.00	-4.6%
1978	Hermitage La Chapelle	Jaboulet	\$1,481.00	\$1,596.00	-7.2%
1990	Chateauneuf-du-Pape	Rayas	\$1,726.00	\$1,824.00	-5.4%
2007	IGT Toscana Masseto	Ornellaia	\$701.00	\$651.00	7.7%
1997	Napa Cabernet Blend	Screaming Eagle	\$3,820.00	\$4,302.00	-11.2%
2001	South Australia Shiraz Blend Grange	Penfold's	\$404.00	\$461.00	-12.4%
1963	Vintage Port Nacional	Quinta do Noval	\$3,295.00	\$3,055.00	7.9%

COINCIDENT INDICATORS: AVERAGE SALE PRICES WITH PREMIUM / 2020 Q1 UPDATE

VINTAGE	WINE	PRODUCER	2020 Q1	2019 Q1	% Δ
1996	Brut Vintage	Champagne Krug	\$481.00	\$417.00	15.3%
1990	Brut Vintage	Dom Perignon	\$308.00	\$334.00	-7.8%
1989	Pauillac	Lynch Bages	\$327.00	\$355.00	-7.9%
1996	Saint Julien	Leoville Las Cases	\$308.00	\$296.00	4.1%
2005	Gevrey Chambertin Clos Saint-Jacques VV	Fourrier	\$620.00	\$618.00	0.3%
2009	Vosne Romanee Aux Malconsorts	Sylvain Cathiard	\$656.00	\$659.00	-0.5%
1998	Chateauneuf-du-Pape Reserve des Celestins	Henri Bonneau	\$595.00	n/a	n/a
1990	Barolo Monfortino	Giacomo Conterno	\$1,736.00	\$2,104.00	-17.5%
1994	Napa Valley Cabernet Blend	Dominus	\$329.00	\$308.00	6.8%
1977	Vintage Port	Taylor Fladgate	\$97.00	\$116.00	-16.4%

Each of these showed reliable results, due in part to the fact that here in the United States, 25% tariffs on wine remain in place. Although the sales that have occurred have been unexpectedly strong, they have been less frequent, particularly in Asia, and the overall volume through the market has been about half of what it has been in the first quarter of the last two years.

THUS FAR IN 2020, THE
AUCTION MARKET IN THE UK
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Thus far in 2020, the auction market in the UK is on track with the rest of the world - that is to say, running at about 50% of last year's volume. In the first quarter Sotheby's was able to conduct two London sales and Bonhams had one as well. This is only one sale less than Q1 2019, but volumes are lower and the sell-through rate is not as high.

· A TEMPLATE FOR THE NEXT SIX MONTHS? ·

Acker held a sale in Hong Kong on March 27th that could prove a template for the next six months. They organized an auction in real-time, with bids taken online, over the phone, or as absentee bids. They assured me that the absentee bidding was up to the pace of previous sales. Since absentee and internet bids usually account for as much as 85% of the volume in a typical wine sale, this was encouraging. The fact that many parts of Asia are now starting to come out of lockdown helps foster optimism. Conversations with merchants and auctioneers suggest that demand there is strong. Jamie Pollack, head of department at Zachys, notes that in the March 7th sale, Asian bidders won 39% of all lots in the March La Paulee sale. Despite the unprecedented trading conditions, it seems that demand is still there and that the fine wine market continues to function, albeit at a lower level. Through the end of the 1st quarter, sales at live auctions totaled \$49 million, as compared to \$119.7 million in the first quarter of 2019 (by comparison, the Q1 total in record-setting 2018 was \$92.5 million). It appears that the market has been adapting to new conditions.

(Continued on page 6)



IS WINE ART?

“WHEN I TASTED DOMAINE DE LA ROMANÉE-CONTI’S 1945 LA TÂCHE 30-ODD YEARS AGO, I HAD ONE OF THOSE TRANSPORTING “AHA” MOMENTS FAMILIAR TO ALL SERIOUS WINE LOVERS - WHEN A WINE SEEMS AS DEEP AND LAYERED AS A GREAT PAINTING, WITH ETHEREAL AROMAS AND FLAVOURS THAT EVOKE HIDDEN ASSOCIATIONS AND STRONG EMOTIONS.”

BUT DOES THAT MAKE IT ART? ELIN McCOY IS NOT SO SURE.

Is wine art? There are arguments for and against, and - spoiler alert - I can’t seem to come down firmly on one side or the other. Instead, I’m going to try to sketch out some of the myriad links between them. So, let’s start with obvious: Wine is a uniquely complex beverage in terms of taste and the environmental, historical, and cultural factors that influence its production. Its creation is part of the rise of civilization and evidence of what it means to be human. Like great art, it can be beautiful, linger in your memory, communicate visceral sensations, and embody ideas and spiritual connotations, all of it worth describing in high-flown language. The big word is “can.” Only fine wine fits this profile. Most vino is commercial drink, crafted more or less well, like any industrial product. As with art, intention matters.

· WINE AND PERMANENCE ·

One factor that counts against wine as art is that to appreciate a particular wine, you have to destroy it.

Much of what we think of as art - Greco-Roman sculptures, Leonardo’s Mona Lisa, Shakespeare’s plays - is nearly indifferent to time. We’re confident that these artworks will retain all they have to offer for generations to come.

The key thing that distinguishes fine wine is that some bottlings approach a kind of permanence that also allows us to revisit their taste. Well, sort of. A superb wine - let’s say a first-growth Bordeaux from a great vintage - is an ever-evolving masterpiece. It has a lifespan, from an impressive barrel sample that only hints at what it will eventually become, to a plateau of splendid maturity where year after year it exhibits all its complexity, but inevitably it fades into a graceful, autumnal decline in which, hopefully, we can still perceive the echoes of what it once was.

Experiencing a specific wine doesn’t have to be a one-off. It can be a repetitive exercise, encapsulated in numerous (or not so numerous) bottles waiting to be uncorked. Think of Michael Broadbent MW’s tasting notes on, say, ’45 Mouton, documenting his impressions of the wine over the years and demonstrating its slow, almost time-defiant march. Great wines stimulate the kind of

effusive note-taking in which critics love to indulge.

Still, unlike looking at the Mona Lisa, there’s a time limit to repeating the experience of a great wine. Each time you open a bottle of it, the wine is slightly different, not just because of bottle differences or the context of tasting it, but because it’s a bit older - or a lot older. An unopened bottle stored in a cellar, no matter how superb, will not last forever. It has to be opened and savored to be appreciated.

AS BILL HARLAN ONCE POINTED OUT, THE FACT THAT WINE DOESN’T LAST FOREVER “DOESN’T MAKE WINE INFERIOR TO OTHER ART FORMS, JUST DIFFERENT. [...] WE MAY TREASURE THE MOMENT MORE BECAUSE IT’S TIME-LIMITED.” I SEE A PARALLEL WITH INSTALLATION ART LIKE CHRISTO’S WRAPPED REICHSTAG

Can it still be art? As Bill Harlan once pointed out, the fact that wine doesn’t last forever “doesn’t make wine inferior to other art forms, just different. [...] We may treasure the moment more because it’s time-limited.” I see a parallel with installation art like Christo’s *Wrapped Reichstag*, which now remains only as notes, photographs, diagrams. (That’s why some of us, like me, hold on to particularly memorable empty bottles.) Maybe fine wine is at least closer to art than anything else we can put in our mouths.

· THE PHILOSOPHER’S TAKE ·

Central to most philosophical definitions of art is the idea that it can be judged critically, something wine lovers have no trouble applying to fine wine. Barry Smith, a British philosophy professor at the Institute of

Advanced Studies at the University of London, points out in *Questions of Taste: The Philosophy of Wine* that “there are standards by which we can judge a wine, or a musical score, or a painting to be better than another, and these reflect discernible properties of those objects, though it may take practice and experience to recognize them.” In other words, being a fine wine critic is very similar to being a fine-art critic.

That idea works for wine - mostly. Even though scientific research has shown that biological perceptions of smell and taste are very individual, not all judgments are simply subjective. There’s a difference between preferences - I like this style of wine - and having the experience and knowledge that some wines (like some paintings) are generally recognized as more worthy of our attention than others, and therefore superior. Just look at this year’s Liv-Ex survey of experts, merchants, and critics, as to the best wine of the 2018 vintage in Bordeaux. I was happy to see that most of them agreed with my assessment that it was *Château Lafite Rothschild*.

And finally, there’s the question of art as something that has “meaning” to an observer, a notion that Sir Roger Scruton sees as part of its definition. Wine doesn’t seem to suggest meaning the way a painting does, but it may still embody a meaning - the idea of terroir, or a philosophy of winemaking or the customs and rituals that surround it.

· WINE AND THE CREATIVE PROCESS ·

In an interview on *winesearcher.com*, Edouard Moueix - whose family owns Bordeaux châteaux in Pomerol and St-Emilion, as well as an impressive art collection - said he disagreed with the idea of wine as art. “We are farmers, artisans, interpreters of nature,” he said. “We don’t create anything.” But winemakers don’t just channel grapes; they’re constantly making choices in the vineyard and cellar that partly determine what results in the bottle, starting with the choice of the site itself.

Wine may be a natural product, but it is not a pure expression of elemental nature the way birds, trees, or rocks are. It’s formed by human intention and actions. It owes its existence, at least in part, to the human mind,

fulfilling Kant's idea that art is an activity of making something according to a preceding notion. Yet the process for wine is different from making art.

Randall Graham put it this way in a conversation with Dwight Furrow, a professor of philosophy who writes the fascinating Edible Arts blog: "You can't simply dial up elegance, harmony, et cetera. Typically these features spontaneously arise from great terroirs that are farmed thoughtfully. You can compose a wine by blending (through trial and error and some intuition) with the intention of creating (or better, discovering) some of these aesthetic elements, but a blended or composed wine will very seldom have the same degree of integrity and seamlessness as a wine that is naturally complex without artifice. Again, this is not something that one can reliably produce through one's winemaking efforts."

· IS DRINKING WINE AN AESTHETIC EXPERIENCE? ·

How we think and talk about wine and the way it influences us suggest it's worthy of aesthetic appreciation in the same way art is. This is why I put in a call to Terry Theise, the author of *Why Wine Is Worth Drinking*. His book is filled with thoughts about the beauty and "soul" of wine. To my surprise, he came down firmly on the side of wine as not art. "Wine is a being of beauty, and it's common to link art and beauty. But if you extend the definition of art to anything beautiful, then there's nowhere to draw the line," he said in a phone call. "It suffices for wine to be beautiful. You don't have to elevate it to art."

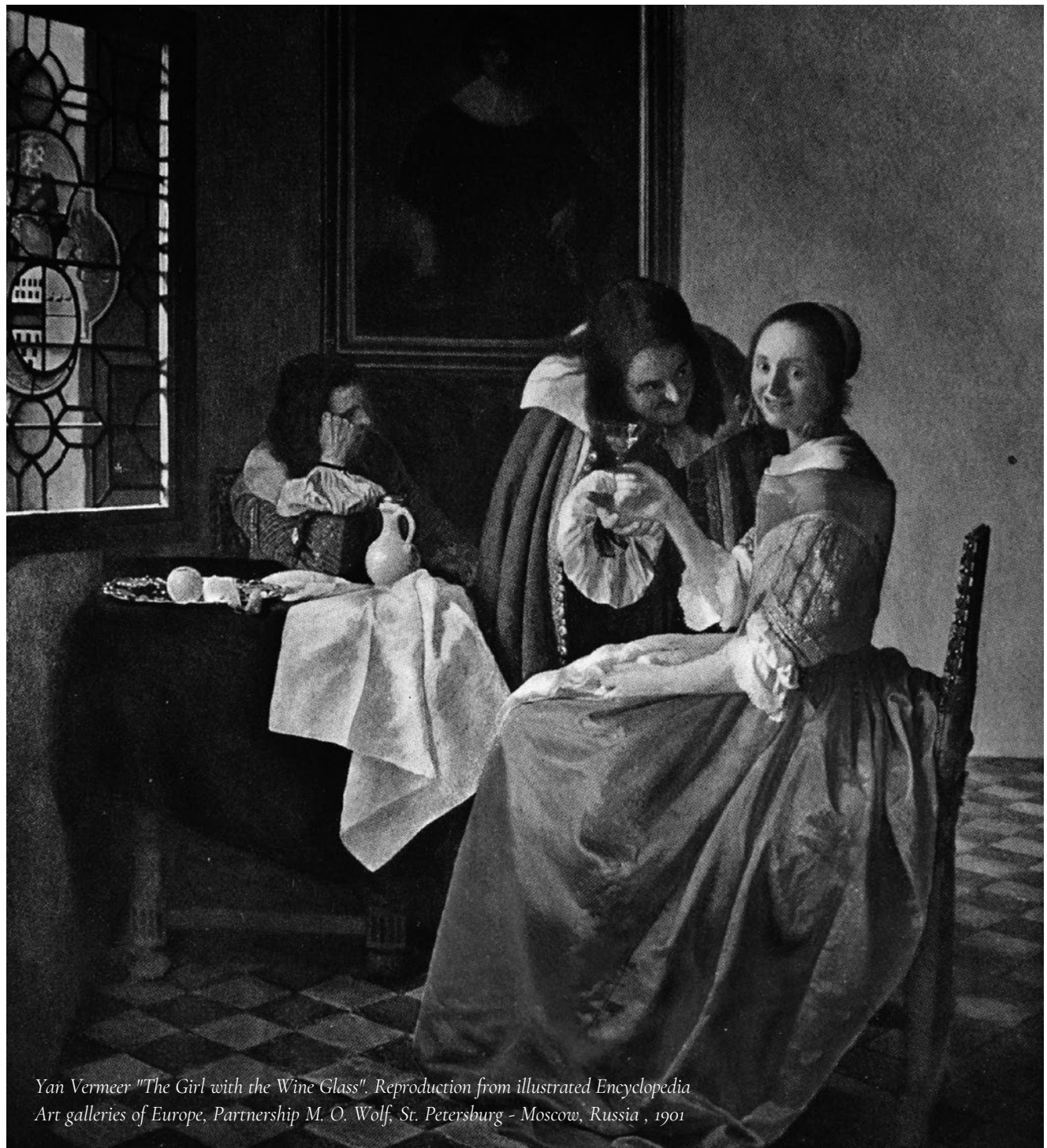
He points out that some wines, though, "are so haunting and stirring that they bypass our entire analytical faculty and fill us with image and feeling. We glean the larger purpose of wine, and of beauty, and of life."

That's what happened when I drank the 1945 La Tâche. "That kind of experience is a purely aesthetic moment without narrative," he explains. "This is the ultimate attraction of wine - elusive, incandescent moments of meaning, the sense that truth is being revealed."

A surprising number of California winemakers have a background in philosophy and think deeply about the meaning of wine. Former professor of philosophy Abe Schoener of the Scholium Project, who has become a kind of sage of experimental Californian wine, emailed, "...Maybe there are wines with the majesty and dark power that drinking them could be like taking in Tristan und Isolde." After all, he points out, "There are wines capable of taking our breath away and then plunging us into a kind of reverie that goes way beyond the glass and perhaps beyond the vineyard, the winery, the estate, the winemaker - a contemplation that calls up our mortality, our place in time."

"DRINKING A BOTTLE OF WINE IS EXPERIENCING THE WEATHER, A PARTICULAR PIECE OF LAND, THE PEOPLE WHO WORKED IN THE VINEYARD AND CELLAR, ALL IN A SINGLE BEVERAGE. THAT'S UNIQUE."

Among the winemakers I canvassed, Carlo Mondavi, the son of Tim Mondavi, who is making Sonoma Pinot Noir under his Raen label, does think of wine as art. "Drinking a bottle of wine is experiencing the weather, a particular piece of land, the people who worked in the vineyard and cellar, all in a single beverage. That's unique. There's nothing else like this."



Yan Vermeer "The Girl with the Wine Glass". Reproduction from illustrated Encyclopedia Art galleries of Europe. Partnership M. O. Wolf. St. Petersburg - Moscow, Russia, 1901

· THE MARKETING OF WINE AS ART ·

More and more frequently, producers of expensive wines are keen to promote a fuzzy overlap between art and wine, creating an aura of culture around their bottles and signalling how much their wines have in common with masterpieces of painting, sculpture, and so on. A cynic would say it's all designed to manipulate you and make you think a \$100 bottle of wine is a piece of art with a comparatively modest price tag.

Llewellyn Negrin, a senior researcher in the School of Creative Arts at the University of Tasmania, explored more reasons behind the increasing association between art and fine wine in her 2015 article "Art and Fine Wine: A Case Study in the Aestheticization of Consumption." Her take is that it's "part of a wider phenomenon where art has increasingly been employed to market 'lifestyle' commodities such as fashion and haute cuisine." As more importance is placed on aesthetics in the process of consumption, in her view, art helps promote consuming as a way of life that transcends "crass materialism."

But of course art, too, is a commodity. Some examples? LVMH once debuted a rare Hennessy Cognac packaged in a special melted aluminum "chest of secrets" created by French artist Jean-Michel Othoniel at the Musée des Arts Décoratifs at the Louvre in Paris. The Cognac was a blend of the 100 greatest eaux de vie of the past century, and the 160lb (72kg) Art Nouveau-inspired chest looked rather like a mirrored casket designed to hold the relics of a sybaritic emperor.

The luxury company has long sought to associate its global Champagne brands with art: Ruinart has been the official fizz at the New York City Ballet; Krug has stressed its connection with music; Dom Pérignon has relied on artist packaging from big names like Jeff Koons. And then there are the images on labels designed to telegraph the quality of what's in the bottle. Following the lead of Château Mouton Rothschild (which also has one of the greatest collections of art related to wine), more and more prestigious wine estates commission celebrated

artists to create paintings for the label. Julien Sereys de Beaumarchais - who now runs Mouton with his brother and sister - once told me that the only requirement is that the artist has a global reputation comparable to that of Mouton Rothschild. The long list of famous artists they've picked includes Picasso, Dalí, Chagall, and Warhol.

Ornellaia chooses a different artist each year to create a site-specific artwork and labels that capture the essence and personality of the vintage, using art as an interpretation of the wine. The wines, sold only at auction, thus become two-pronged collectibles, the proceeds often going to museums. Taittinger's unique angle is asking artists to transform the entire bottle into an artwork. The latest, released in 2016, is a 2008 Brut etched with an image of a leopard, courtesy of Brazilian photographer Sebastião Salgado.

Wineries themselves have been transformed into public art museums, with outdoor sculpture in the vineyards as at Château Smith Haut Lafitte, Château La Coste in Provence, Castello di Ama in Tuscany, and Hall Winery in Napa. Added to this is the push toward making the winery itself a contemporary art statement, another recent phenomenon that has changed the landscape even in traditional regions such as Bordeaux. Philippe Starck's metal boat-shaped cellar at Les Carmes Haut-Brion, for example, is more a sculpture than simply a place to make wine, and visually it echoes the idea that the wine made there is an artwork, too.

So, we're back to the big question with which I started: Is wine art? I'm still not sure. But does it really matter? The fact that there are so many connections and similarities to the way we regard both means that, for many wine lovers, the question is answered. Wine may not be art, but it's close enough.

A longer version of this article first appeared in *The World of Fine Wine*.

www.worldoffinewine.com



THE RARE WINE MARKET OUTLOOK 2020

CONTINUED

Participation in live online sales in the first week of April seems to indicate that wine continues to sell, although the hammer prices are hovering around the reserves. Given the lead time required to put a sale together, however, this is logical, as the estimates for these sales were done 30 - 60 days in advance.

· ONLINE SALES ·

Christie's is already having success with their online platform. Noah May, head of the Christie's wine department in London notes: "Results for wine sales at Christie's remain strong, indeed, our online only wine sale closed yesterday at 91% sold by value, and saw considerable global participation with bidders represented across 31 countries and five continents. Additionally, the sale had an unprecedented amount of online engagement across a global spread of 118 countries, with a 20% increase of unique visitors compared to previous online wine sales. While the current market conditions around the world are challenging due to the implications of COVID-19, the passion for collecting fine wine remains very active. We are in regular contact with our clients around the world, who continue to bid actively, and are keen in their desire to acquire the rarest wines. In the UK, we look forward to our upcoming sales later in the season in June, and we actively source property for the autumn. The quality of wine in the market remains exceptional, with a strong focus on the rarest wines of Burgundy, Bordeaux and Champagne."

Merchants and brokers in London are still very busy during the COVID-19 confinement. Berry Brothers and Rudd sold so much wine that on April 1st they were forced to temporarily stop taking orders. Wine broker George Rhys of Southwick Court Fine Wines reports strong sales but uncertainty over what the second quarter might bring: "The first quarter of the year has been fine and the sales have held up, I am unsure how the second quarter will go as we have no en primeur campaign, [and] a lot of new releases and launches have been cancelled like Taittinger 2008 Comtes." It would seem that savvy buying means buying on the way down, but knowing what to pay, and collectors that can repeatedly recalibrate during these times will come out of them with a handsome collection that in time should appreciate sharply.

OCTAVIAN PROVENANCE – FUELLING PASSIONS AND LIFTING PRICES

WITH THE RECENT LAUNCH OF 'MYCELLAR', OCTAVIAN'S NEW ONLINE COLLECTION MANAGEMENT PLATFORM, PRIVATE CUSTOMERS CAN NOW ACCESS ALL THE INFORMATION AND INSPIRATION THEY NEED TO GET CLOSER TO, AND MORE ACTIVELY ENGAGED IN, APPRECIATING AND EVALUATING THEIR COLLECTIONS. RESEARCHING AND RECORDING THE PROVENANCE OF THEIR WINES IS PART OF THE ENJOYMENT AND KEY TO ITS VALUE.

Upon logging in to a secure account dashboard, customers can access a whole host of useful content, ranging from market performance data, valuations on over 350,000 vintages and in-depth producer profiles, to fine wine reviews, trend data and details of drinking windows. A comprehensive range of reports, updated weekly and available to view or download, illustrate stock position and market pricing, providing at-a-glance values of assets held.

For many customers, building a wine portfolio is much more than just a hobby; fine wines, carefully selected and laid down to mature in the world's best possible storage environment, often hold great sentimental attachment. mycellar, with its step-change in technology, provides a hub of information, enabling emotional connections to grow and customers to immerse themselves in nurturing their collections remotely and at their convenience. Socially-oriented features within the portal also enable like-minded collectors to build new communities as they record their drinking experiences and share tasting notes.

New 'Exchange' functionality enables swift and secure peer-to-peer wine transactions within a closed environment, ideal for those wishing to add to, or achieve optimal returns from, their wine assets. Buying and selling wines in this way removes the risks of physical movement, comes with full Octavian's insurance and importantly, keeps proof of provenance intact.

Provenance has long been an influencing factor in ensuring wines reach their maximum value at resale. Proof of authenticity, origin and storage history all impact on condition, and as with all collectibles, quality commands a premium.

With its trusted reputation, storage expertise and commitment to transparency - with a complete audit trail for every case stored - Octavian is uniquely positioned

to be able to provide robust provenance tracing for the wines it stores. This is reflected in resale prices: Octavian-stored® wines are finer, safer, more valuable.

"STORAGE PROVENANCE IS A VALUE DIFFERENTIATOR AT OCTAVIAN. WE'RE CONFIDENT THAT THOSE WISHING TO SELL THEIR WINES THROUGH THE EXCHANGE WILL BE ABLE TO ACHIEVE OPTIMAL PRICES. BOTH SELLERS AND PURCHASERS ALIKE CAN EXPECT SAFER, QUICKER, AND VIRTUALLY MOVEMENT-FREE TRANSACTIONS, MINIMISING THE RISK OF DAMAGE OR DISRUPTION TO WINES."

"In a market where the risk of counterfeit is increasing, the more robust and reliable information that you can obtain about the history of a particular wine, the better," says Octavian's IT Manager, Jon Cording who was instrumental in the development of mycellar. "When the average price of each case at resale is £1500, it makes sense to explore its individual 'back story' before any transaction.

"Storage provenance is a value differentiator at Octavian. We're confident that those wishing to sell their wines through the Exchange will be able to achieve optimal prices. Both sellers and purchasers alike can expect safer, quicker, and virtually movement-free transactions, minimising the risk of damage or disruption to wines."

For more information about Octavian's fine wine storage services and mycellar customer portal, please call +44 (0)1225 818714.

CUSTODIANS: GOLD, STOCKS AND SHARES, FINE WINE. HOW SAFE IS YOUR INVESTMENT?

| 07

WHILE THE WORLD REELS FROM THE RAPIDLY EVOLVING REACH AND IMPACT OF THE CORONAVIRUS PANDEMIC NOW MORE THAN EVER, SHOULD WE QUESTION THE FINANCIAL SECURITY OF THOSE SAFEGUARDING OUR INVESTMENTS, SUGGESTS NIGEL JAGGER, OCTAVIAN FOUNDER.



“WE ARE BUILT IN SUCH A WAY THAT WE SYSTEMATICALLY MISUNDERSTAND AND UNDERESTIMATE THE UNCERTAINTY OF THE WORLD”

Noble Laureate Daniel Kahneman

“No-one could see this particular liquidity crisis coming. Few will have taken the necessary steps to ensure that their assets would be secure even under the most testing circumstances. With the onslaught of COVID-19, what Kahneman terms the ‘uncertainty of the world’ is upon us; in less erudite language, the ‘proverbial has hit the fan.’ Whether it’s gold bullion in a bank, stocks and shares held by a stock broker or fine wine stored through a merchant or direct with a bonded warehouse, many have assumed that their investments are safe with those that look after them. But are they?” Jagger questions.

“Markets are understandably volatile and despite the Central Bank’s generosity, liquidity is in short supply. Demand and revenues are abruptly and severely falling and it is clear that the pandemic will take many companies, large and small, as casualties. Interest rates have been driven to lows not seen in five thousand years and companies have gorged on debt. In commercial property, almost any covenant has been acceptable to many landlords. In no other time in history could a bonded warehouse company with £2.7 million of net

assets have a staggering £99 million of lease liabilities. Fragile, debt-laden balance sheets are now the ‘norm.’”

In this crisis, how will custodian companies - those safeguarding investments - ride the storm? “Those with stocks and bonds in nominee accounts should ask themselves what happens to their investment if their broker goes bankrupt. Equally, gold investors should question whether they have paid the premium to have their bullion stored with their bank on an ‘allocated’ basis. Few realise that standard practice is for their gold bullion to be stored ‘unallocated’. This means that you own part of a pool of gold with no title to any particular bars. In the event of the bank’s failure the holder only ranks as an unsecured creditor.

“Banks lend this gold to generate income and that is why they charge less for storage,” he explains. “Only paying the premium to store your gold on an ‘allocated’ basis separates your asset from the bank’s and protects you in a bank failure.”

· OCTAVIAN IS AS RARE AS SOME OF THE WINE IT STORES ·

“Long-established does not necessarily mean well-established,” highlights Jagger. “Octavian is as rare as some of the wine it stores,” he stresses. “Not only is the wine stored perfectly in the most secure facilities, but crucially, unlike so many, we have a debt-free and highly liquid balance sheet; one that’s built to withstand a crisis.”

It’s a key differentiator and one that is core to Octavian’s value proposition. “We deliberately structured the business with real capital rather than debt. Yes there is a cost. It’s less tax-efficient, but it’s worth it. Part of the value of storing fine wine with Octavian is that we have anticipated the unexpected and planned for it on behalf of our merchants and private customers.”

· PEACE OF MIND IS PRICELESS NOW ·

“It might cost a little more to store with us, but our customers get peace of mind which is priceless now. We can offer the certainty that our customers’ investments are safe. That’s an assurance that sadly today, not every investor will be able to enjoy.”

Jagger’s advice to investors - of wine and other assets? “Do your research. Scrutinise custodians’ balance sheets. And ideally, hold assets in your own account.

“No-one would ever keep their money in a neighbour’s bank account, would they? The benchmark when it comes to fine wine investment is to hold full title to your wines and to entrust your collection to a storage specialist whose balance sheet stands up to scrutiny. Going back to Kahneman, not all have failed to understand and underestimated the ‘uncertainty of the world.’”

Now is the time to consolidate your fine wine with Octavian. For ultimate peace of mind contact the team on Tel +44 (0)1225 818714.



OCTAVIAN

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