A study into the performance of alternative investments

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Date: January 2017
A number of institutions and wealth managers, including Barclays Wealth and Knight Frank, publish the results of annual reviews of the investment interests of their ultra-high net worth clients. These have featured investments into highly collectable luxury items, termed “Treasure Assets” which enjoy global markets and offer significant returns to investors. Because of the rarity and iconic status some of these assets enjoy they often attract significant press interest.

Examples of this include the acquisition by Bill Gates in 1994 of Leonardo da Vinci’s Codex Hammer with a winning bid of $30,802,500 at auction, an extremely rare Roman era statue of ‘Artemis and the Stag’ which was bought at auction in 2007 for $28.6million, Sir Alex Ferguson raising over £5million from the disposal of some of his wine collection in 2014 and the featured sale of a 1962 Ferrari GTO with a published guide price of £45million in Autumn 2016.

Highly collectible luxury items referred to as “treasure or passion assets” are increasingly being regarded as investments to strengthen portfolio performance. They typically include classic cars, vintage watches, fine art, jewellery, gold, rare stamps, antiques and fine wine. According to Wealth Reports prepared annually over the last few years by property investment specialist, Knight Frank, investment in these treasure assets represent an average of ten per cent of the value of the investment portfolios of the ultra high-net-worths canvassed, with a track record of delivering extraordinary returns over the long term. Fine wine has enjoyed increasing take-up by these investors.

Vin-X has undertaken a study to compare the performance of these “Treasure Assets” with compelling results.

Our research shows that wine consistently outperforms traditional investment assets like equities, gold and property. In most instances this outperformance is significant. For instance, since 1988 the FTSE100 has grown by less than 300%, while the wine market's growth is approaching 2000%.

Performance data alone shows that any investor should at least be considering wine for their portfolio.

In this report we wanted to compare the performance of wine with other alternative or “treasure” assets that occupy a similar space in the minds of investors, such as art or classic cars.

Once again we found that wine significantly and consistently outperformed its competitors, showing as the top performer on half of the measurements we examined, and never outside of the top three. The inescapable conclusion is that wine is the best performing of all alternative assets. It isn’t even close.

In an environment where more and more investors are looking to alternatives, Vin-X find there is significant evidence to support the assertion that wine should be their top priority.
At the end of 2015 Vin-X produced a report comparing the performance of fine wine to other more mainstream asset classes.

The research undertaken at that time showed that fine wine had performed significantly better than the FTSE 100, the Dow Jones, the S&P 500, Gold or UK property, and by a significant margin. The wine market experienced significant growth during 2016 with the key Liv-ex 100 index reporting 24.3% cumulative growth between 1st January to 30th December.

A comparison of fine wine versus the traditional assets reviewed at the end of 2015 shows an even more marked positive performance against financial indices, property and gold since January 1988 as can be seen in Figure 1:

We selected the asset classes for review after comprehensive analysis of Capgemini’s World Wealth Reports\(^1\), Allianz’s Global Wealth Report\(^2\) and the Knight Frank’s Wealth report\(^3\), among others.

The ‘Treasure Assets’

<table>
<thead>
<tr>
<th></th>
<th>Africa</th>
<th>Asia</th>
<th>Oceania</th>
<th>Europe</th>
<th>Latin America</th>
<th>Middle East</th>
<th>North America</th>
<th>Russia and CIS</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fine Art and Antiques</td>
<td>82%</td>
<td>62%</td>
<td>79%</td>
<td>75%</td>
<td>75%</td>
<td>47%</td>
<td>95%</td>
<td>80%</td>
<td>74%</td>
</tr>
<tr>
<td>Cars and Bikes</td>
<td>65%</td>
<td>28%</td>
<td>42%</td>
<td>44%</td>
<td>63%</td>
<td>38%</td>
<td>37%</td>
<td>50%</td>
<td>46%</td>
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<tr>
<td>Watches</td>
<td>24%</td>
<td>43%</td>
<td>21%</td>
<td>30%</td>
<td>63%</td>
<td>52%</td>
<td>21%</td>
<td>30%</td>
<td>36%</td>
</tr>
<tr>
<td>Wine</td>
<td>47%</td>
<td>31%</td>
<td>32%</td>
<td>30%</td>
<td>38%</td>
<td>15%</td>
<td>21%</td>
<td>50%</td>
<td>33%</td>
</tr>
<tr>
<td>Jewellery and Precious Metals</td>
<td>24%</td>
<td>49%</td>
<td>32%</td>
<td>30%</td>
<td>13%</td>
<td>47%</td>
<td>16%</td>
<td>30%</td>
<td>30%</td>
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<tr>
<td>Precious Metals</td>
<td>6%</td>
<td>12%</td>
<td>32%</td>
<td>8%</td>
<td>0%</td>
<td>3%</td>
<td>16%</td>
<td>20%</td>
<td>12%</td>
</tr>
<tr>
<td>Stamps and Coins</td>
<td>6%</td>
<td>5%</td>
<td>0%</td>
<td>5%</td>
<td>13%</td>
<td>3%</td>
<td>5%</td>
<td>0%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Knight Frank Wealth Report 2016 and FTSE 100

A defining feature of the fine wine market is the price transparency now enjoyed by the sector. The internet and other technological innovation has transformed trading and investment in fine wine. The most globally recognised exchange for fine wine, Liv-ex, provides price information and data for trade members which has played a significant role in the maturation of the market. The market has evolved with many of the characteristics of financial markets, such as the quality and type of market information now available to the fine wine trade community. This has facilitated more sophisticated investment structures such as funds being able to focus on fine wine as an investment commodity. The secondary market in fine wine is very established and highly engaged with a global network of merchants, brokers and agents working to facilitate global demand for a market estimated to be valued at £2.5bn by Liv-ex.

Fine wine is of course still bought and sold at auction and the sale of the wines of high profile collectors often captures media attention. The prices achieved at auction may not always be truly reflective of market value, whether above or below predicted estimates, and are very often influenced by the cachet attached to the profile of the seller. Without doubt auction sales provide a public barometer for the health of the market. The other assets in the review do not benefit from a vibrant market exchange like Liv-ex but are traded primarily through auctions and private sales. Valuations and pricing strategies are therefore much more opaque with less certainty on starting valuations and prices that might be achieved at sale.

Those assets under review all have some reportable data and were selected for that reason and we also included data from the FTSE100 for comparison purposes, as the obvious candidate to represent investing in stocks and shares.

A study into the performance of fine wine versus ‘Treasure Assets’

The Alternative Assets reviewed

Fine Art

- **Record transaction:** $500m – private sale of ‘Interchange’ by Willem de Kooning and Jackson Pollock’s ‘Number 17A’ in September 2015
- **Highest valued asset:** $300m Private sale of Nafea Faa Ipoipo by Paul Gaugin in February 2015
- **Index Used:** AMR Art 100 index
- **Notable collectors:** Hedge-fund managers Kenneth C. Griffin and Steven A Cohen, State of Qatar, Steve Wynn, Francois Pinault, Paul Allen, Roman Abramovich

Some of the values involved in investing in Fine Art are eye-watering and whilst an investor can find art assets at sums considerably less, those that capture the biggest headlines often achieve extraordinary sales figures.

In February 2016 Bloomberg reported that billionaire hedge fund manager, Ken Griffin had ‘reportedly paid $500million’ for two paintings by Abstract Expressionist masters from the David Geffen Foundation in one of the largest private art deals ever. The sale of Willem de Kooning’s ‘Interchange’, valued in the transaction at about $300million, and Jackson Pollock’s Number 17A acquired for approximately $200million, was actually completed in Autumn 2015.

The long term appreciation of extremely rare, unique investments like fine art masters can be further understood when you look back to the values achieved in previous sales of the same piece of art. In 1989 ‘Interchange’ achieved $20.7million in an auction record sale for the artist at that time, exceeding the pre-sale estimate of $6million by more than three times. No doubt if you have the pocket for it and the time to ‘sit on the asset’ exceptional gains can be made.

One of the challenges of the market for investors is determining whether the prices being demanded are at a level which offer good opportunity for growth.

There are a number of reputable Art indices, but the most detailed and the most recommended is the Art Market Report or “AMR”. AMR have been reporting on the art market since the mid 1980’s, and their data goes back a decade further than that, making it the longest running index under consideration here, with data starting back in 1976. We used the broadest indicator of art prices they provide, the AMR Art 100 index. The prices that make up the index are all actual sale prices from auction houses worldwide, and from a wide variety of artists to ensure they are representative of the whole market.

Antiques

- **The most expensive manuscript on record** is Leonardo da Vinci’s Codex Hammer acquired by Bill Gates in 1994 for $30,802,500
- **The most expensive antiquity** is a Roman-era (c. 2,000 years old) bronze sculpture of ‘Artemis and the Stag’ found in Rome in the 1920’s, sold at auction at Sotheby’s in 2007 for $28.6million
- **Most expensive musical instrument** - a 250 year old violin crafted by Guarneri del Gesu, the grandson of one of Stradivari’s apprentices, broke the records with a sale value of $3.9million in 2007
- **Antique furniture** – The Badminton Cabinet – an 18th Century Florentine ebony chest inlaid with precious stones sold at Christies in 2004 for £36million broke the world record for antique furniture sales twice, having previously sold in 1990 for $16.59million

In a market as broad as antiques any accurate index is likely to be somewhat unsatisfying and miss out sectors that might be of great interest and or be showing good performance. The AMR antiques index may be somewhat limited in the assets it considers but ultimately it is its accuracy and reliability that led to its use here.

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4 [https://k500.com/](https://k500.com/)
8 [Used by the Barclays Wealth Report, the FT, Credit Suisse, Hiscox insurance and the BBC among others](https://k500.com/)
5 The Sultan of Brunei

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A study into the performance of fine wine versus ‘Treasure Assets’

The Alternative Assets reviewed

### Classic Cars

<table>
<thead>
<tr>
<th>Highest valued asset:</th>
<th>Classic 1962 Ferrari 250 GTO (second off the production line with a racing pedigree) on sale in November 2016 in the UK for £45 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous record value:</td>
<td>A 1962 Ferrari 250 GTO sold for $38 million (including buyers premium) at auction in August 2014</td>
</tr>
<tr>
<td>Index Used:</td>
<td>K500 index</td>
</tr>
<tr>
<td>Notable collectors:</td>
<td>Ralph Lauren, Nick Mason, Sultan Hassanal Bolkiah, radio and television presenter Chris Evans</td>
</tr>
</tbody>
</table>

Investing in classic cars may come with a hefty price tag at entry but returns in the past have seen some investors achieve extraordinary performance. A rare ‘California sage-coloured’, Aston Martin DB4 Zagato, one of only 19 made, was valued at £500,000 in 1996, and one of the same ‘batch’ with license plate 4 RTA sold at auction in Sotheby’s New York for US$14.3 million in April this year. A twenty-fold increase – Capital Gains Tax free!

The Telegraph reported in November 2016 that a classic blue 1962 Ferrari 250 GTO was expected to set a new world record in a sale by Talacrest, Ascot-based Ferrari specialists. As the second off the production line of only 36 ever made with a great racing pedigree with Luigi Chinetti and the legendary North American Racing Team, the car was put up for sale at £45 million in the UK.

Classic cars share some of the wine market’s advantageous tax treatment, and have seen good performance over the last 20 years or so. The K500 index is not weighted, and also only uses publicly available data on sale prices achieved at auction, not information from private sales and the trade.

Going back to only 1994, it is the shortest duration index under consideration and as such does not account for a critical point in the classic car market, the near collapse in values during the late 1989–1990 recession, we must bear this omission in mind when considering the data.

### Vintage Watches

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<tbody>
<tr>
<td>Notable transaction:</td>
<td>A Patek Phillipe 1518 sold at auction in Nov 2016 for more than $11 million</td>
</tr>
<tr>
<td>Index Used:</td>
<td>AMR Wrist Watches</td>
</tr>
<tr>
<td>Notable collectors:</td>
<td>Jay-Z, Brad Pitt, Thierry Henri</td>
</tr>
</tbody>
</table>

The vintage watch market is estimated to have been born in the late 1960s to 70s and analysts believe that it is now valued at approximately $2 billion, enjoying similar tax advantages to the other Treasure assets.

The large auction houses, and in particular Christie’s and Sotheby’s are particularly active in the sector with the former reporting sales of $90 million and the latter $79.8 million in vintage watches respectively in 2015. The traditional markets for vintage watches come from USA, Europe and Japan but emerging markets in China, India and other Asian countries are developing fast.

Experts believe that the advent of the internet and in particular social media and interest platforms have played a significant role in the growth of the market between 2010 and 2016.

The first wristwatches appeared in the 18th Century and the most powerful brands today, in terms of investment, are Patek Philippe and Rolex, but interest is growing in other early watch-makers in particular Vacheron Constantin, Audemars Piguet and Breguet. Influencing factors on value are brand and model, production, condition and of course rarity, as with all these assets, is key in driving value.

The watch data is also sourced from the AMR. The index is constituted in a similar fashion to the AMR 100 consisting only of items that sell regularly at auction. In each instance we have used the broadest index available.
The Alternative Assets reviewed

**Rare Stamps**

- **Highest valued stamp:** $9.4m for the only known British Guiana 1cent Magenta at auction in June 2014
- **Index Used:** AMR stamps world index
- **Notable collectors:** HRH Queen Elizabeth II, John Lennon, Charlie Chaplin

The global market in rare stamps is estimated to be valued at about £6billion per annum by Stanley Gibbons, the leading specialist. The key drivers of value of investment-grade stamps are authenticity, condition and rarity. Unused stamps, which still have their original gum are highly prized and can be very valuable. The highest price paid for a stamp on public record was $9.4million for the British Guiana one-cent Magenta.

Data from Stanley Gibbons, established in 1856 was surprisingly sparse, and only tracked book prices once per year. This was clearly insufficient for our needs, so we turned again to AMR. AMR use Stanley Gibbons prices in their calculations, but also take data from other sources, including auction houses.

**Fine Wine**

- **Highest valued asset:** $304,375 for an imperial of Cheval Blanc 1947 sold in November 2010
- **Asset realisation:** Sir Alex Ferguson raised more than £5million from the auction of some of his fine wine collection during 2014
- **Index Used:** Liv-Ex Fine Wine Investables index
- **Notable collectors:** Andrew Lloyd Webber, Sir Alex Ferguson, Thomas Jefferson

The focus on the fine wine market with respect to investment-grade wines is primarily on the wines of the top 25 Bordeaux chateaux, and a few key producers from Burgundy, the Rhone, Champagne, Tuscany, Spain, California and Australia.

The market today is estimated to be worth £2.5billion with the traditional markets of the USA and Europe now joined in good measure by consumers from China and Asia.

Fine wine’s strong secondary market, price transparency and low entry point in terms of price makes it highly accessible to a growing global investment market. A key dynamic is the finite supply, which reduces as the asset is consumed over time, and increasing global demand, supporting strong stable price performance with outstanding returns to investors in the long term.

As in our previous investigations we used the Liv-ex Investables index, which is comprised of around 200 wines from 24 of the greatest Bordeaux Chateaux that are most commonly held by investors, excluding en primeur.

**The Top Ten Most Powerful Fine Wine Brands, 2016**

<table>
<thead>
<tr>
<th>Brand</th>
<th>Rank 2016</th>
<th>Rank 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lafite Rothschild</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Mouton Rothschild</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Margaux</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Haut Brion</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Latour</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>Domaine de la Romanee Conti</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Angelus</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Petrus</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Pavie</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Cheval Blanc</td>
<td>10</td>
<td>8</td>
</tr>
</tbody>
</table>

**FTSE100**

Far and away the most commonly quoted index of any sort in the UK, the FTSE100 measures the 100 largest companies listed on the London Stock Exchange as measured by total market value, and has been used as a shorthand for the performance of major (‘blue chip’) companies listed in the UK since its inauguration in January 1984.
Having carefully examined the available data, we decided to focus in on a few key metrics that we thought most reflected the needs of the investor, highlighting growth and reliability:

- Total growth
- Average and median changes
- The proportion of negative growth periods
- Peak growth
- Minimum growth

Total Growth 1994-2016

The time period under consideration here is perhaps not ideal, missing data for the significant early 1990’s contraction in classic car prices and a large sustained growth period for the FTSE. However the formal consideration of many alternatives as “assets” worthy of proper examination is a relatively new phenomenon which means that reliable price histories only go back so far. The shortest run index dictates the period we can examine, thus we start in mid 1994.

That wine performs so well compared to equities here will be of no surprise to those who have read our previous reports, or have an interest in the wine market themselves. What is surprising is how many of these alternative asset classes outperform the FTSE, and how dramatically they do so.

In defence of the FTSE it should be noted, as mentioned above, that the period 1995-2016 does the index no favours, including as it does the two most catastrophic contractions in the index’s history, and missing out on significant growth in the early 1990’s. Nevertheless, the longer run comparisons we have examined previously show the contrast between wine and the FTSE we see in this period is no outlier.

We can see the performance of FTSE100 and the two significant contractions it’s had over this period in Figure 4, which also shows how significantly and how consistently wine has outperformed all of these assets.

Even if we examine what appears, at first glance, to be a somewhat fallow period of static prices for wine between 1998 and 2006, we can see upon closer examination in Figure 5 that throughout this period wine is either the best performer or the second best performer.

This consistent outperformance, especially over 5-10 year hold periods is perhaps the best and most striking feature of wine investment.
A study into the performance of fine wine versus ‘Treasure Assets’

The Data

Average and median changes

<table>
<thead>
<tr>
<th></th>
<th>Average 5 Year</th>
<th>Median 5 Year</th>
<th>Average 10 Year</th>
<th>Median 10 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wine</td>
<td>99.72%</td>
<td>80.55%</td>
<td>235.00%</td>
<td>194.19%</td>
</tr>
<tr>
<td>K500 Cars</td>
<td>52.62%</td>
<td>49.80%</td>
<td>142.38%</td>
<td>142.67%</td>
</tr>
<tr>
<td>Art</td>
<td>55.05%</td>
<td>48.35%</td>
<td>131.49%</td>
<td>126.83%</td>
</tr>
<tr>
<td>Antiques</td>
<td>33.43%</td>
<td>22.72%</td>
<td>75.95%</td>
<td>67.44%</td>
</tr>
<tr>
<td>Watches</td>
<td>36.34%</td>
<td>23.22%</td>
<td>65.68%</td>
<td>72.68%</td>
</tr>
<tr>
<td>Stamps</td>
<td>38.23%</td>
<td>27.80%</td>
<td>61.38%</td>
<td>55.18%</td>
</tr>
<tr>
<td>FTSE100</td>
<td>36.08%</td>
<td>34.68%</td>
<td>78.62%</td>
<td>54.09%</td>
</tr>
</tbody>
</table>

The average hold period for an equity investment is, depending on who you believe and which market you are looking at, somewhere between four and seven months, and has fallen dramatically since the 1960s. Most investors in treasure assets hold onto their purchases for a good deal longer; Vin-X recommends its clients consider a 5 year hold, but if you are in a position to hold for longer, so much the better. With this in mind we wanted to see what returns 5 year and 10 year holds in treasure assets has given; this time measured across all the available data, not just from 1995.

We looked at the average and median of all the 5 and 10 year hold periods for which we had data. In the longest running data series (the AMR Art and AMR Antiques indexes), this entailed examining 429 separate 5 year hold periods since 1976 and 369 10 year hold periods, more than enough data from which to draw some meaningful conclusions.

The results are illuminating. We can see in Figures 7 and 8 that across the board alternatives have performed very well indeed in comparison to equities. It is immediately clear that wine has comfortably the best average and median 5 and 10 year hold record among these treasures, nearly double the next best performing asset, and on any measure almost triple the capital growth return from the FTSE100.

Figure 6

Figure 7 - Comparing 5 year average and median growth rates across alternative assets

Figure 8 - Comparing 10 year average and median growth rates across alternative assets

A study into the performance of fine wine versus ‘Treasure Assets’

The Data

Proportion of negative growth periods

We’ve explored the excellent performance of treasure assets with wine comfortably leading the pack; however, no asset can grow indefinitely, and sometimes prices do fall. One interesting measure of performance is to look at the same five and ten year growth periods examined above and see how many generate negative returns as illustrated in Figure 9.

On this measure we can see that while wine is not the best performer (Cars and Art have no negative five and ten year holds at all) it remains solidly in the top half of results.

At this point we should note that the K500 index’s lack of data from the very early 1990’s has a particular impact on results, skewing data in favour of the Classic Car sector. This time period was associated with a sharp increase and then a prolonged sustained bear market. To illustrate the collapse in prices that this index and thus our data misses, we spoke with Steve Wakefield, managing editor at K500 who provided us with some examples of the falls seen in the Classic Car market over this period:

- In 1989 the brand new Ferrari Testarossas were trading in excess of £200,000, a 60% premium over list prices. As few as 5 years ago these cars could be bought for £35,000, and even today are still only just at their brand new list prices.

- In 1989 a 1966 Ferrari 275 GTB would have cost you around £750,000. After prices crashed these same cars could be picked up for £100,000\(^1\), a fall of 86%.

- In 1989 an Austin Healey 3000 might have cost you £40,000. By the year 2000, prices had still not recovered from their crash and the car could be picked up for £15,000, a fall of 62.5%.
A study into the performance of fine wine versus ‘Treasure Assets’

The Data

Maximum and minimum growth rates

Our final datasets show the peak and trough performance for each asset class over the entire duration for the data we hold. Once again these show wine favourably. Figures 10 and 11 show the growth from the best and worst 5 and 10 year hold periods, providing a final piece of context to our conviction that wine should be considered by all investors.

In these two datasets, and with the caveats already applied above to the data from Classic Cars, we can see that Fine Wine dominates alternative asset performance.

Art also performs well, while the other assets show decent, if uninspiring numbers, all being outgunned by the FTSE100.

We can also see that stamps have a higher 5 year peak than 10 year peak, a feature it shares with watches, but in a much more dramatic fashion. Stamps peak growth rate of 312% comes from the first 5 year period under consideration, from January 1976 to January 1981, part of a period of fantastic growth in that market. Over the period from 1981-1983 the average 5 year hold return was just over 233%. To illustrate how poor performance has been since then, and why the average 10 year hold is so much lower, the average 5 year hold SINCE 1983 has been 24%, almost an order of magnitude lower.

While we believe that examining peak and trough performance is interesting and useful (particularly as a way to establish stop losses or points at which to take profit) this particular outlier in the stamps market demonstrates why we should look at a number of different measures when considering which of these treasure assets to hold.

The minimum growth rates again show no great surprises, Fine Wine and Classic Cars continue to show well, other assets less so. Many continue to outperform the FTSE.

References:

[http://www.telegraph.co.uk/finance/4473442/Hooked-on-classic-cars.html]
Holding treasure assets is quite different from almost any other asset class, both in costs and benefits. Broadly speaking the benefits come in the shape of utility, passion and position.

Many of these assets come with considerable non-financial benefits, and these are for many the prime reason for ownership. From the most utilitarian viewpoint, a Chagall painting improves a bare wall, a Mercedes Benz 300 gullwing SL car is a form of transport (albeit one that will have many and serious design / usability compromises compared to a modern car) and you can store clothes in your Chippendale wardrobe.

Probably more important to the people who buy them are less tangible, non-financial benefits. Sometimes their label as ‘passion investments’ really is the most appropriate. Most of the time people buy these things first of all because they love them.

Finally, we shouldn’t underestimate their value as a positional good. This describes an item which accrues value at least in part because of what having it says about the owner, and in part because other people cannot have it. Simply put, these assets are desirable because they imply a certain social status.

The costs of holding these assets can also be very different to that of holding a bond or an equity. Perhaps the most illustrative example comes from the world of classic cars. A classic car loses value if it’s not in good condition. Condition starts with storage, at a cost of say £5000-6000 per year and maintenance is entirely open ended. Steve Wakefield at K500 suggested it would be sensible to budget around £25,000 per year to run and repair the Mercedes Benz 300 SL mentioned earlier. This is before you consider the cost of insuring a car this expensive.

Transaction costs can also be substantial. Many of these assets will be bought and sold at auction; fees at Sotheby’s are around 20% (depending on the type of product being bought) nominally paid by the purchaser. The seller will also be subject to certain fees including commission, loss and damage warranty fees, sometimes even costs to list in the catalogue or on the website in advance of the sale.

Fine Wine provides an interesting half way house in terms of costs, a wine can be sold on Liv-Ex for a 2% fee, the transaction time is significantly lower than for a Classic Car or a piece of artwork as the market is regular and has a critical advantage of product homogeneity, i.e. one case of Lafite 2000 (if stored correctly) is going to be much the same as another at a point in time.

The same cannot be said of a da Vinci sketch or even a Ferrari 250 GTO, where value will dramatically vary depending on condition, racing history and prior ownership.

One final advantage of Fine Wine is in terms of the costs to enter the market. Investors will struggle to buy a truly investable piece of art or a similar status classic car for under £100,000. That same £100,000 would in January 2016 have bought you almost 80 cases of Pontet Canet 2010, a wine that rose nearly 40% across the year. Not only is wine a highly rewarding treasure asset, it is exceptionally accessible too.

## Conclusion

In terms of performance, ease of access, ownership costs and transaction costs, no other ‘Treasure Asset’ class comes close to matching fine wine. That fine wine also significantly eclipses the performance shown by other mainstream assets strongly makes the case to investors to include this exceptional alternative investment in their portfolios.
A study into the performance of fine wine versus ‘Treasure Assets’