

Wine outstrips shares as investors get the taste for liquid assets

Investors driven to drink by the market turmoil of the past few years may have been on to a good thing.

By Sean Farrell

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Top-notch wine has withstood two US recessions and beaten a benchmark shares index over the past 13 years, according to a study by two Swiss-based economists.

Philippe Masset and Jean-Philippe Weisskopf studied more than 400,000 wine prices between January 1996 and January 2009. The period covers the dotcom boom and bust and the credit bubble and subsequent market meltdown.



Stephen Wickens, of Crown Wine Cellars, holds up a bottle of Chateau Margaux Bordeaux 1989
Photo: AFP/Getty Images

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Their general wine index beat the Russell 3000 Index of top US shares, mainly due to wine's outperformance in the recent crisis. From mid-2008, wine fell 17pc compared with a 47pc drop in the shares index.

The economists found that an index of first-growth **Bordeaux** from top vintages "hugely outperforms" their two other wine indexes from 2005. Top Bordeaux wines include Chateau Margaux, Chateau Latour and Chateau Lafite Rothschild.

The elite wines produced a more than fivefold return compared with the regular wine index, which more than doubled. The Russell 3000 rose about 50pc in the same time, Bloomberg reported.

"Our findings show that the inclusion of wine in a portfolio and, especially, more prestigious wines, increases the portfolio's returns while reducing its risk, particularly during the financial crisis," concluded Professor Masset and Mr Weisskopf in their study, [Raise Your Glass: Wine Investment and the Financial Crisis](#).

Simon Staples, sales director at wine merchants Berry Bros & Rudd, said wine started to catch on as an investment in 1996, a top year in Bordeaux, but really took off from 2003.

During the financial crisis, investor interest continued to rise because wine, like gold, is a tangible asset.

Prices dipped after Lehman Brothers collapsed in September 2008 but picked up again from the middle of last year as confidence returned to the City. Prices of top Bordeaux at Berry Bros are also being driven by huge Chinese demand.

"China has a new thirst for the top 20 brands from Bordeaux," Mr Staples said. "Lafite is going up 15pc or 20pc a month in just about every vintage."

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