

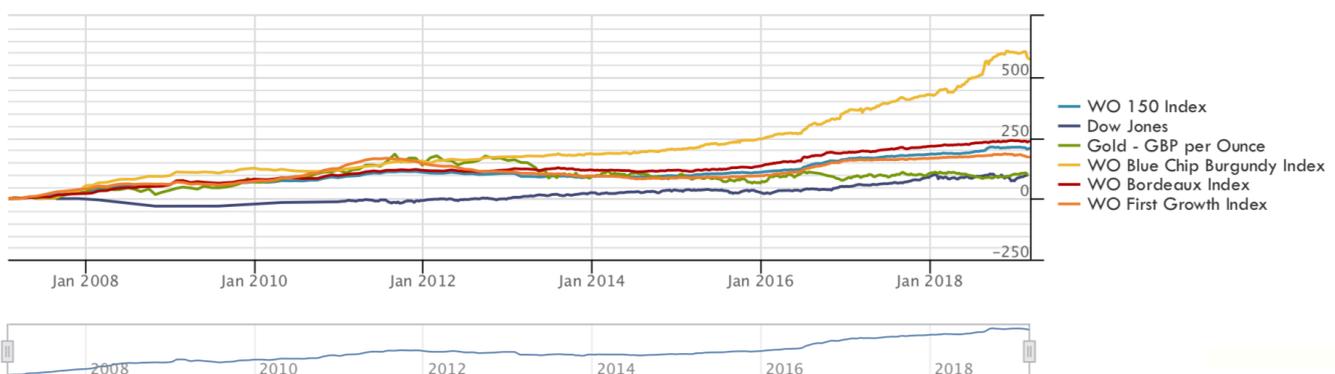
PROFESSIONAL PORTFOLIO MANAGEMENT

OVERVIEW - WHY INVEST IN WINE?

A wine collection has the potential to be an effective medium or long term store of value and for some time now regarded as a serious alternative asset class when compared with more conventional equity and fixed income securities. For very long-term numbers, a recent academic review of wine prices over the period 1900-2012 found that the geometric average annual nominal return was 8.2% net of costs. Our own index designed to track the performance of the wider wine market, the WO 150, started at the end of January 2007 and since inception has increased by 211%, generating a CAGR (compound average growth rate) of 10.75%, far outstripping more conventional investments (see chart below). The wine market also enjoys low volatility compared with major asset classes and low correlation, adding value as a useful diversification tool in a wider portfolio.

Fine wine has unique supply economics where there is fixed supply for each vintage at the outset which starts to contract with time as it is consumed. Increasing global demand, fuelled by relatively new consumer markets, coupled with decreasing supply can only lead to price appreciation over the long term.

INDICES JULY 2007 - MARCH 2019



JULY 2007 - MARCH 2019

WO 150 INDEX	302	202.13%
DOW JONES	26,031	96.63%
GOLD GBP/OUNCE	1,293	100.37%
WO BLUE CHIP BURG. INDEX	681	580.58%
WO BORDEAUX INDEX	332	232.15%
FIRST GROWTH INDEX	271	171.27%

This is a particularly useful illustrative period for the following reasons:

- It includes a period of sharp declines of blue chip Bordeaux in the period from Q2 2011 to Q4 2014 (c.-30%) - Bordeaux prices had benefited hugely from incredible demand from the Chinese market in the mid noughties, resulting in the bubble that duly burst with President's Xi's announcement of the anti-corruption campaign in 2011;
- It sharply illustrates that the fine wine market is not homogenous and is in fact made up of several different markets that have different supply and liquidity characteristics and that perform differently;
- It demonstrates that wine had low correlation to the economic downturn during the period 2008-2012, and may prove to be a useful hedge against poorly performing equity markets and inflation in the future;

INVESTMENT OBJECTIVE

The investment objective for Wine Owners Professional Portfolio Management is to deliver consistent capital appreciation through an outstanding collection of investment grade wines.

To achieve this, we will follow an investment strategy designed for each individual account following a predetermined set of guidelines and investment parameters.

For newcomers to the wine market we will build a collection. For those with an existing collection we provide a structured approach to portfolio management designed to complement existing primary market allocations and holdings.



WHY WINE OWNERS?

Wine Owners is a leading information platform for wine collectors, that operates the world's only collection management platform fully integrated with a peer-to-peer trading exchange for the secondary market.

Expertise; as well as the WO team having a combined experience of investing in wine for nearly eight decades, we have a comprehensive database of information relating to the fine wine market and have developed a rigorous analytical procedure to identify investment opportunities. In 2018 the WO 150 Index increased by 10.2%, whilst personal investment portfolios of WO staff rose between 12% and 25%.

The trading exchange provides a unique source of supply of wines with excellent provenance, typically bought by collectors at first release, and stored in perfect conditions within professional storage such as Octavian, Vinotheque and The Wine Society.

Our active portfolio management service ensures priority access to these secondary market collections, complemented by strong relationships with Chateaux, négociants and key importers of blue chip producers. Constant monitoring of the market will alert us of opportunities to take profit from over inflated or comparatively overvalued wines.

Wine Owners is independent and does not buy wine or take market positions as merchants do. We are an entirely neutral platform through which collectors and suppliers choose to trade; which means that our buy recommendations are solely determined by our analysis and are not influenced by any stock holdings.

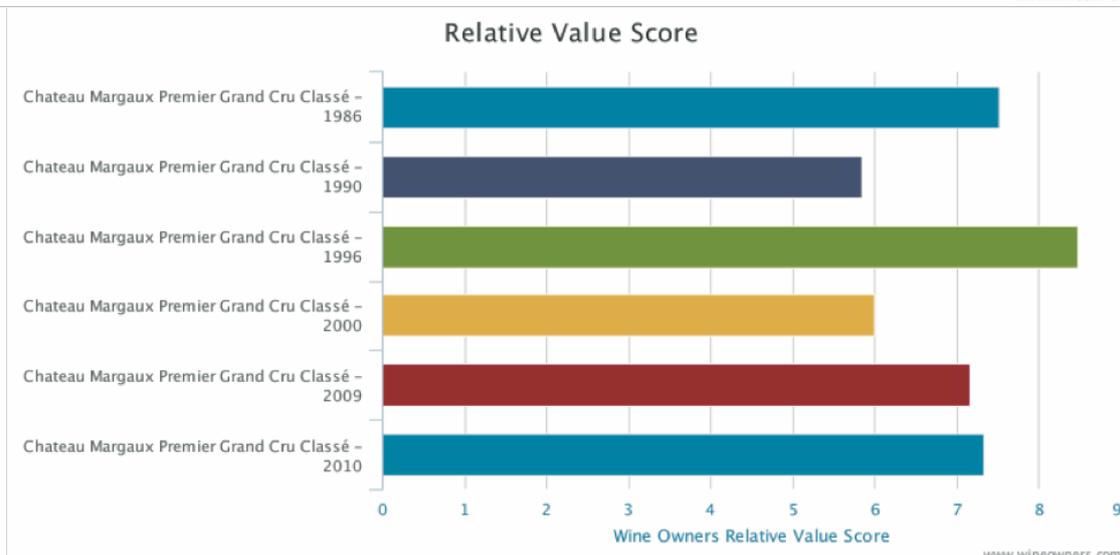
Our neutrality has also helped us to become a leading provider of software and information solutions to a range of wine services businesses globally, including Sotheby's, Corney & Barrow, Western Carriers and 67 Pall Mall. Our platform is responsible for tracking and valuing over £1bn of wine collections owned by members of Wine Owners and clients of the businesses who deploy our software under their own brand.



MANAGEMENT TOOLS

For each purchase we make towards your portfolio, we run a process of data-driven analysis which compares the prospective buy recommendation to similar vintages of the same wine, and comparable wines from the same vintage, to get a three dimensional picture of relative value, and ensures that wines selected have the best probability of performing positively.

Over the last 5 years, we have developed a market leading set of tools for assessing the potential performance of wines, that we use to underpin purchasing decisions. This structured selection process ensures we rigorously adhere to the investment criteria, including comparative pricing and relative value analysis - using an unrivalled database of critics scores and historical pricing to identify opportunities. For each selection, we will follow developments in critics reviews (and personal encounters and opinions) as well as constantly monitoring price performance.



BUYING PHILOSOPHY

Our buying strategy focuses on three streams, designed to take advantage of the market in the most effective manner possible, while balancing risk.

- The majority of the portfolio will focus on highly traded, critically acclaimed wines with a proven performance history and high liquidity; blue chips. These will be medium to long term positions with a demonstrable trading history where we see evident value relative to benchmark comparisons of the same vintage or relative to other comparable vintages of the same wine.
- Wines with less liquidity will make up a minority holding, also geared to medium to long term holds but predicated on rarity rather than liquidity. Examples would include wines with limited production where there is proven demand and may include scarce older wines where provenance and condition is considered perfect.
- The third strand allows for an allocation of opportunistic purchases. For example, where we believe a particular wine that falls outside of our normal criteria is undervalued or under-priced or where analysis points to a producer being a rising star with growing market momentum, aiming for shorter terms gains and a higher rate of trading.

The likely mix of these investment strategies will be made in the approximate proportion of 60/20/20 by value.

The geographic allocation of the portfolio based on our main investment criteria, relative value and liquidity, is likely to be spread as follows:

BORDEAUX - Left Bank	20-40%
BORDEAUX - Right Bank	10-20%
BURGUNDY - Established	5-20%
BURGUNDY - Rising (but proven) stars	0-10%
CHAMPAGNE	10-20%
ITALY - Piedmont	0-10%
ITALY - Super Tuscans	0-10%
REST OF THE WORLD (Rhône, Sauternes, Port, Australia, Chile, South Africa, U.S.A., ...)	0-10%



We will buy wines that have a solid performance history and have the ability to continue to perform exceptionally over a medium to long-range period. While it may be possible to trade some holdings for shorter term benefits, the primary intention is to trade in and out of a fully invested portfolio as little as possible to minimise trading costs.

Each purchase is accompanied by a research note that looks at a wine's recognised quality, liquidity, relative pricing, if it is a rising star or if its price is anomalous.

SELLING PHILOSOPHY

Through constant market research and monitoring of holdings within portfolios we will identify wines to sell. This may be a case of a wines outperforming its peer group and becoming comparatively expensive, or simply a judgement call - when we believe there is no reason for a wine can justify its price any longer. Regional reallocation of the portfolio will also lead to sales.

SOURCING OF STOCK

A prime source for purchased stock will be the collections offered for sale by Wine Owners members on the trading exchange, giving us unique access to perfect provenance, best priced, stock available in the secondary market. We will also use our network of Chateaux, négociants, merchants, funds and trusted brokers to source the right stock at the right price.

TRACKING YOUR PORTFOLIO

Through your online account you can monitor your portfolio in real time. Further to this we will send you a monthly performance update and a quarterly report on the wine market, highlighting trends, themes and market movers.

You will be able to review performance of individual wine selections, regional performance, overall portfolio performance, and be able to benchmark how your portfolio is performing against various indices and global stock market data.



STORAGE

All wines will be inspected and kept in optimal conditions at Octavian, an historic location in the West of England widely considered the best in the world for provenance. This premium storage environment is included within your management fee.

SUMMARY

Wine Owners' Active Portfolio Management offers a complete service for private individuals looking to build an outstanding wine collection with a proportion of their discretionary wealth, whilst aiming to deliver mid to high single digit annual returns of capital growth.

FEEES

Annual management fee: 2.5% (+VAT), subject to a minimum of £1,000 (+VAT), which includes all transportation and transfer fees, landing and inspection fees (carried out on every purchase), annual storage and full replacement cost insurance fees. Management fees will be charged on entry. At the start of year 2, management fees are based on funds under management at the end of year 1 and will be deducted from the portfolio and so on thereafter.

For investments of, or in excess of £100,000 the Collector premium plan, worth £240, is included within the annual fees.

There is no exit fee, nor any redemption or performance fees.

* * *

