2005 ALIVE

While the story of 2007 was China, which will continue to be a market driver, this year's big fine wine theme will be 2005

NOVEMBER showed signs of the end-of-year slowdown a little earlier than usual. It seems that traders were happy to close their books and take a well-earned break! Volumes held up well year on year (up 28%), but slowed a little from October. The Liv-ex 100 recorded its fourth straight down month with a decline of 0.6%, reducing the 12-month gain to 42.1%.

The year as a whole has been another good one for fine wine. Despite a sharp dip in en primeur activity, transactions on the exchange will be up nearly 40% in 2007. Surprisingly our top brand by value on the exchange was Mouton Rothschild, with 13.2% of trade, narrowly surpassing its super-charged cousin Lafite, with 13.1%. Some believe a revival is underway at the Château after years of underperformance relative to the other first growths. Mouton produced the wine of the vintage in 2006. This lead to an across-the-board re-pricing of the wine. During the year Mouton's price increased 50% on average – outperforming the wine market as a whole.

La Mission Haut-Brion has also had a stellar year after making top wines in back to back vintages in 2005 and 2006. The wine was among the top 10 brands traded on Liv-ex in 2007 with 3.5% share and was third in performance terms with a 64% return.

Carruades de Lafite was again at the top of the performance charts with a 112% return overall. The wine even surpassed Lafite, in second place with a 94% return.

The super seconds, however, had a particularly difficult year and for the most part slipped back in the rankings in terms of both market share and price performance. All failed to keep pace with the overall market and only Pichon-Lalande made it into the Liv-ex trade top 10.

The big theme in 2007 has been China and this factor has certainly driven the fortunes of the Lafite stable. We suspect that the Far East will continue to be an important driver of demand into 2008, but watch for interest to spread into other brands. Forts de Latour, for example, our highest new entrant into the top 50 brands at number 17 is gaining favour in China, as is Pavillon Rouge. Other brands to watch include Talbot, Pontet-Canet, Duhart-Milon, Branaire-Ducru and Beychevelle.

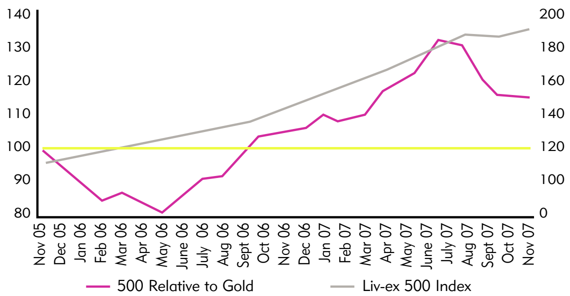
In the year ahead, one can't help feeling that the wine market is going to be held hostage to events beyond its control. Some kind of slowdown in the global economy is widely expected, particularly in the US and UK. Both are still the most important markets for fine wine. The 2007 Bordeaux vintage is unlikely to set anybody's pulse racing. The Bordelais – always brilliant with words – are describing the vintage as "very good in different ways"! It is true that the vintage was saved by a dry September, but overall it was a difficult growing season, yields will be small and commercially it will be unexciting. As such we feel that the market is most likely going to tread water in 2008, but after two years of uninterrupted gains this has got to be healthy.

The big theme in 2008 is going to be 2005! It is becoming clear that 2005 is the greatest vintage in France (as a whole) since certainly 1990 and possibly 1961. As these wines become physical and Parker and the other critics retaste these wines in the New Year, there will be a considerable amount of trade to be done, particularly in Bordeaux's best names. Indeed, anyone expecting a wholesale sell-off in 2008 is likely to be disappointed.

While we are likely to establish a new floor for fine wine in the coming 12 months, demand for 2005s and the strength of the fundamentals will provide a solid floor to prices. If anything the top producers have become more quality conscious and are producing less wine than they were 10 years ago. Similarly, the two big structural trends for demand – global growth and increased transparency – not only remain sound, but are also in their infancy. Predicting that fine wine prices are going to continue to rise is not rocket science, just simple economics. As such 2008 should be viewed as a buying opportunity.

THE LIV-EX 500 Composite Index

The Liv-ex 500 composite index tracks the world's top 500 wines from the most celebrated regions and vintages. Prices reflect the best offer or last trade from the UK's leading merchants. The index value was 100 in May 2001.



Source: Liv-ex

THE LIV-EX 500 & Components

	Current	6 mth ago	1 yr	2 yr
Bordeaux, red	202.42	184.07	144.15	113.57
Bordeaux, white	141.43	132.80	118.84	108.22
Burgundy	183.00	163.31	131.37	107.93
Port	126.99	123.28	116.11	103.55
Champagne	195.09	162.40	143.63	115.86
Composite	187.88	171.16	144.15	110.99

Source: Liv-ex

Liv-ex – The London International Vintners Exchange

Liv-ex is an independent trading and settlement platform for the fine wine trade. For prices and other market information visit www.liv-ex.com

LIV-ex

RISING STARS

Bordeaux Red	1982	1983	1986	1989	1990	1995	1996	1998	2000	2003
Ausone	3,500	1,965	1,100	1,695	2,400	3,000	2,400	4,800	13,765	12,865
Calon Segur	1,295	388	773	650	950	475	495	547	570	444
Cantemerle	395	376	300	491	395	200	275	118	195	115
Cheval Blanc	8,025	3,400	2,200	2,600	9,600	2,400	1,836	5,250	7,500	1,750
Conseillante	2,850	739	750	2,300	3,062	540	466	688	1,288	395
Cos d' Estournel	1,950	550	970	795	1,550	820	740	395	620	1,250
Ducru Beaucaillou	1,500	500	761	550	650	825	880	395	865	700
Figeac	1,657	700	660	715	1,250	646	410	520	560	347
Grand Puy Lacoste	1,250	450	688	544	1,095	582	625	270	475	269
Gruaud Larose	2,250	568	1,030	720	1,120	447	440	306	625	300
Haut Brion	6,500	1,450	2,450	9,000	5,400	2,500	2,200	2,400	5,000	2,200
Lafite Rothschild	17,000	3,244	8,500	3,400	4,000	3,600	6,500	4,200	9,400	6,740
Lafleur	21,000	4,500	3,883	7,500	13,596	2,750	2,018	2,900	15,338	3,950
Lagune	695	395	420	520	620	293	275	368	260	222
Latour	13,800	1,950	2,600	2,450	6,000	2,600	5,600	1,800	8,000	6,900
Léoville Barton	1,094	495	750	795	1,100	600	520	380	800	750
Léoville Las Cases	3,850	691	2,744	993	2,100	980	1,750	560	2,350	1,075
Léoville Poyferre	1,500	595	565	620	1,320	450	575	375	695	790
Lynch Bages	1,900	750	925	1,600	1,600	723	850	495	1,050	395
Margaux	7,900	3,950	4,600	3,016	8,600	3,200	5,200	1,850	7,766	5,200
Mission Haut Brion	8,025	975	1,350	8,400	3,063	1,150	675	1,052	5,400	1,080
Montrose	1,100	550	720	1,622	2,950	588	570	435	950	1,695
Mouton Rothschild	8,816	1,650	7,126	1,900	1,750	2,300	2,350	2,520	5,400	2,387
Palmer	1,350	2,500	875	1,800	1,350	760	766	673	1,150	660
Pétrus	32,000	4,950	8,587	24,937	27,999	12,000	6,750	19,800	27,999	14,245
Pichon Baron	1,024	395	650	1,495	1,600	495	550	380	850	500
Pichon Lalande	3,750	1,000	1,340	1,100	950	1,047	1,220	432	1,250	750
Pin	38,000	7,500	7,800	12,709	20,138	8,250	7,800	14,962	19,905	NA
Talbot	1,260	759	880	540	739	380	420	342	420	260
Vieux Château Certan	1,120	650	900	563	1,050	525	450	950	795	400

Bordeaux White	1983	1986	1988	1989	1990	1996	1997	2001	2003
Climens	800	695	580	566	813	331	440	2,625	595
Rieussec	749	420	471	455	554	252	340	750	275
Suduiraut	360	269	300	300	335	220	287	538	255
Yquem	3,210	2,340	2,789	2,600	2,750	1,400	1,657	3,795	1,548

Burgundy	1985	1988	1989	1990	1995	1996	1998	1999	2002
Comte de Vögué, Bonnes Mares	3,750	1,400	1,548	2,778	1,320	1,785	1,400	1,432	1,685
Comte Lafon, Meursault Charmes	NA	NA	2,401	N/A	1,980	2,006	900	1,260	1,500
DRC, Assortment	26,946	3,600	29,641	24,965	9,500	11,400	7,200	19,000	11,936
DRC, Montrachet (1x75cl)	1,350	1,150	1,750	2,000	2,500	1,650	1,122	1,932	1,500
DRC, Romanée Conti (1x75cl)	5,690	3,700	3,950	5,500	3,350	3,500	3,040	3,900	3,292
Rousseau A, Chambertin	NA	5,400	NA	5,000	1,621	2,500	1,695	1,900	2,750
Rousseau A, Clos Roche	2,773	1,350	1,688	1,950	1,091	684	360	660	575

Champagne	1982	1985	1989	1990	1995	1996	1998	1999
Dom Pérignon	1,695	1,850	NA	1,600	960	1,250	695	NA
Krug	1,788	1,985	1,595	1,900	970	1,895	NA	NA
Louis Roederer Cristal	2,500	3,200	2,300	2,975	1,500	2,100	NA	1,780

Other	1985	1988	1989	1990	1995	1996	1997	1998	1999	2000
Ornellaia	849	543	936	1,139	320	220	220	425	250	300
Tignanello	887	977	692	1,943	1,295	760	760	960	771	700
Beaucastel, CNDP	960	534	2,187	2,389	1,080	720	720	1,442	1,350	1,075
Chapoutier, Ermitage Pavillon	6,086	4,056	6,132	5,750	2,100	1,296	1,296	2,400	4,400	1,175
Chave, Hermitage	650	540	1,850	4,088	366	300	300	450	380	348
Guigal E, Côte Rôtie Mouline	1,500	980	1,551	1,789	1,758	1,682	1,682	1,632	1,525	1,740
Jaboulet Aîné, Hermitage Chapelle	760	1,100	982	1,356	861	656	656	1,025	793	980
Opus One	1,450	2,061	1,759	1,271	1,642	1,873	1,873	1,749	1,200	1,250
Penfolds, Grange	3,500	2,400	3,723	9,517	3,485	724	724	1,450	958	1,243
Rayas, CNDP	11,125	1,950	1,050	2,488	995	810	810	1,090	880	840
Sassicaia	911	672	739	1,113	565	540	540	432	458	420
Vieux Télégraphe, CNDP	360	408	725	450	360	240	360	350	210	228

Port	1963	1966	1970	1977	1983	1985	1994	1997	2000	2003
Dow	1,140	1,120	770	520	380	365	395	280	295	450
Fonseca	2,050	1,250	980	950	460	490	490	340	456	395
Graham	1,540	1,100	860	640	440	450	450	295	420	420
Quinta do Noval	740	1,100	440	690	370	280	280	1,891	440	375
Taylor	1,620	1,050	795	740	370	480	480	450	495	495
Warre	945	800	675	580	360	320	320	285	320	300