



## Château Haut-Brion 2015 – A 30-Year Investment Yielding Inflation + 5%

Price (6x75cl)	<b>SG\$5,300</b>
Robert Parker	<b>100</b>
Price per Point	<b>SG\$53.00</b>
Price Target (6x75cl) in 2044	<b>SG\$31,500</b>
Implied Price performance	<b>Inflation + 5.0% CAGR</b>

- **Haut-Brion 2015** is the **cheapest 100-point First Growth** in the World. But **Haut-Brion 1989** (also 100 points) is one of the more expensive.
- Analysing the 'forward curve' for Haut-Brion 100-point wines shows a steady **5% annual return after inflation** for almost 30 years.
- 30-Year US Treasury inflation protected bonds only yield 0.97%.
- **Drinking window** for Haut-Brion 2015 is to **2075!**

We believe that buying **Château Haut-Brion 2015** today is equivalent to buying a 30-year riskless investment yielding inflation + 5%.

### That doesn't seem possible?

Let's look at the 'yield' part first. No wine can score more than 100 points from wine critic **Robert Parker** right?

### Obviously, keep going ...

So that means the 100-point **Château Haut-Brion 1989** and the 100-point **Château Haut-Brion 2015** are basically *the same wine*, just separated in time, right?

### I guess that makes sense

Good. So that means we can compare the market prices today of the two wines (and any others which are relevant) and plot a forward pricing curve to show where today's wines will be in the future:



### That is a remarkable smooth curve!

Isn't it? But think what it implies. We know that money loses its value against assets over time (called the inflation rate). So in 2044 when Haut-Brion 2015 is as old as Haut-Brion 1989 is now, it won't be worth SG\$18,850 (current price of Haut-Brion 1989) but SG\$31,500.

### Whoa! Slow down, how do you get SG\$31,500?

SG\$31,500 is SG\$18,850 plus expected inflation of 2.1% over 26 years.

### So that means that my Haut-Brion 2015 bought today for SG\$5,300 will be worth SG\$31,500 in 26 years' time?

That is what the market is telling us. We know from our 2015, 2010, 1989 'curve' that Haut-Brion 100-point wines appreciate in real terms at around 5.0% a year, and inflation is expected to be 2.1%. A CAGR of 7.1% versus buying today at SG\$5,300 gets you to SG\$31,500 in 2044.

### That starts to look interesting ...

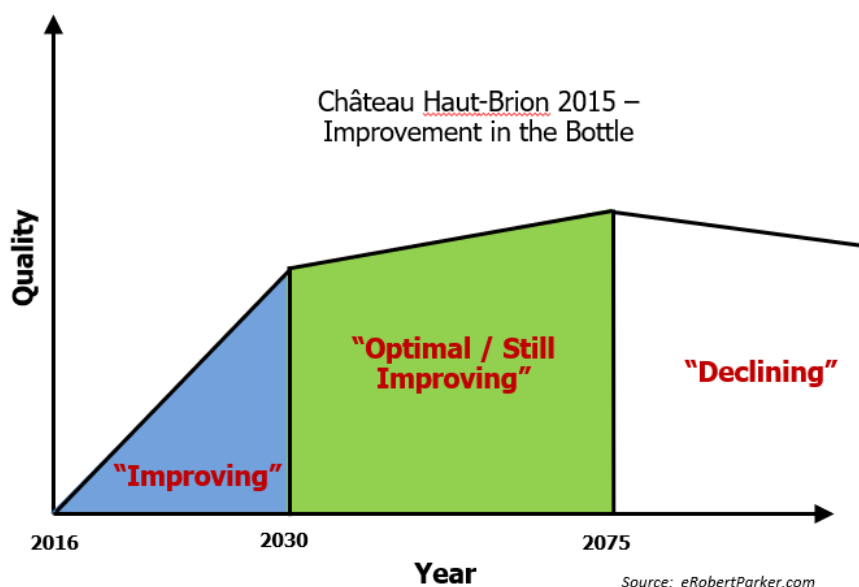
Indeed. 30-Year US Treasury 30 Inflation Protected bonds ("TIPS") only yield 0.97% right now.

### You said buying Haut-Brion 2015 was "risk free". Can you justify that?

We can't justify that the future *price* is risk free, because inflation could be higher or lower over the investment period. But the asset won't 'default' in the way a bond can, or a company goes bankrupt and wipes out shareholders. Provided you store with a reputable merchant (and make sure it is insured); if you buy 1 case of Haut-Brion 2015 today you are guaranteed to have 1 case of Haut-Brion 2015 in 2044. In that sense the investment is "risk-free".

### It is very hard to find very long-dated inflation protected assets with any yield, so that is impressive

It is extremely hard. It is surprising that more financial investors aren't looking at this. But remember also that the 2044 'maturity' date we are looking at is only because the 1989 wine is that old. In fact, the Haut-Brion 2015 will still be improving in the bottle, according to Robert Parker, out till 2075. So, this is more like a 60-year investment.



### So I could actually hold on to Haut-Brion 2015 for much longer than 30 years?

Absolutely. There are only two older Haut-Brion wines scoring 100 points. The 1961 and 1945. Neither of these has a single whole case available for sale anywhere in the world. If you had one of those right now you could probably name almost any price. So we recommend **Haut-Brion 2015** as a long-term, high quality asset offering inflation protected capital gain potential.

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