

MARKET REVIEW

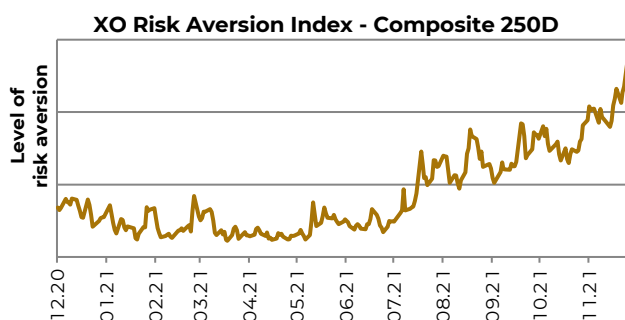
« It comes and goes, it's made of little things »

This November feels like dancing to a Claude François folk song. The *omicron* variant of the covid virus is having an astronomical impact. While the markets were very positive until the 20th of the month, the fears linked to this new health development have upset the situation and sent the main indices into the red. Switzerland is holding up well, thanks to the defensive component of its index. The sectors most affected are tourism and leisure.

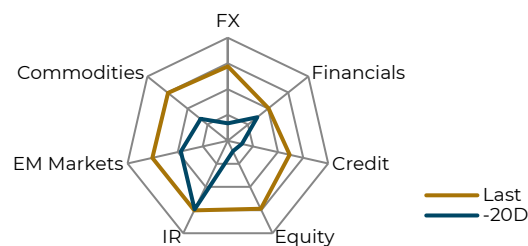
Bonds rebounded slightly due to an easing of interest rates caused by the panic in the markets. The USD remains strong, while the EUR and emerging currencies are gradually sliding against the CHF, a further sign of nervousness. Real estate is being buffeted.

Gold and silver, after rebounding massively at the beginning of the month, are back in negative territory. Oil is falling sharply after months of gains.

Risk is increasing on all risk factors and is reaching a significant level at the global level.



	Value	November	2021
Equity markets			
Switzerland (SMI)	12 160	0,43%	13,60%
United States (S&P500)	4 567	-0,83%	21,59%
Europe (Euro Stoxx 50)	8 970	-4,33%	16,57%
Japan (Nikkei)	27 822	-3,71%	1,38%
China (Shanghai SE)	3 564	0,47%	2,61%
Brasil (Bovespa)	101 916	-1,53%	-14,37%
Currencies			
USD/CHF	0,920	0,46%	3,97%
EUR/CHF	1,041	-1,60%	-3,66%
GBP/CHF	1,222	-2,51%	1,03%
EUR/USD	1,131	-2,14%	-7,48%
Other asset classes			
Swiss Real Estate		0,76%	3,32%
Swiss Bonds		1,42%	-1,07%
Foreign Bonds		0,64%	-1,96%
Commodities		-10,82%	30,45%
Oil	66,18	-20,81%	36,40%
Gold	1 774,36	-0,51%	-6,33%
Rates / Indicators			Δ
10 years Swiss rate		-0,23%	0,32%
10 years US rate		1,44%	0,53%
US Unemployment		4,60%	-2,10%
US GDP		4,90%	7,20%
US CPI		4,60%	3,00%



WINE BETWEEN LUXURY AND HERITAGE

As inflation materializes on agricultural products, the price of fine wines follows the same trend, making this market a mix between luxury goods and heritage protection.

A concentrated market

Inflation is gradually taking hold in all sectors. Almost all commodities are affected, and their prices are rising massively. This is the case for the energy sector, for metals, but also for the agricultural market. In 2021, the price of wheat has risen by 30% coffee by 75%, cotton by 50% and sugar by 28%.

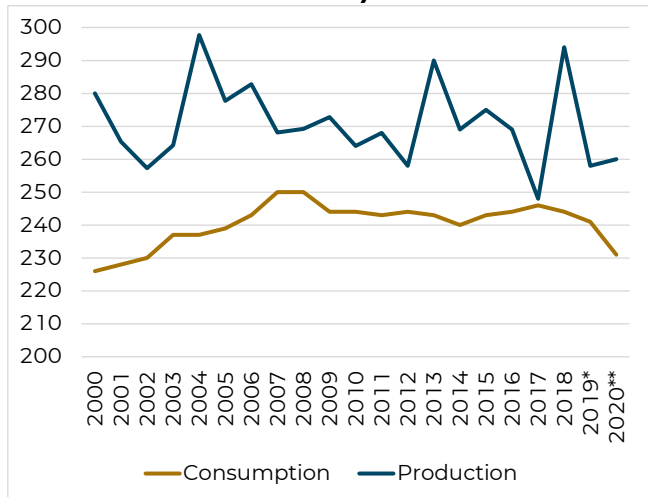
In Europe, this year's capricious weather, either too hot, too cold or too wet, is reinforcing this trend. The climatic conditions have led to a drop in production in certain sectors, which will reduce supply even as demand increases. The combination of two phenomena that accelerate inflation.

Wine is no exception. Harvests in Europe are much smaller than usual. The late frost in some areas, the lack of water at the end of the season in others, and mildew have in turn given work and worries to European wine growers.

The 2021 production should therefore be below 260 million hectolitres, corresponding to the 2020 production. Production, even if it has been evolving for 20 years between 250 and 290 million hectolitres, remains relatively stable. The number of hectares cultivated is also stable.

Consumption, on the other hand, is evolving somewhat differently. Between 2000 and 2008, the increase was constant, reaching a peak in 2008-2009 at 250 million hectolitres. Since then, there has been a reduction in consumption. Combined with the increase in the world's population, per capita consumption has been declining significantly over the last ten years. Social factors are essential to explain this phenomenon (some countries consume little alcohol because of different cultures or religions), while considering that the limitation of alcohol for health reasons has an impact in traditional drinking countries.

World wine production and consumption, million hectolitres (2000-2020)

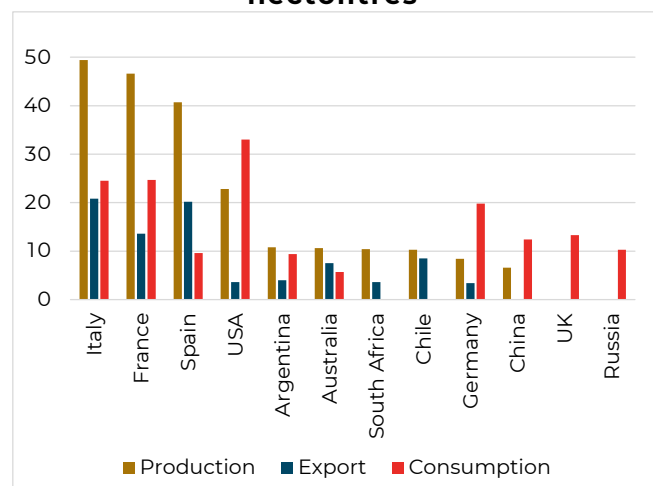


Source : OIV, XO Investments

Italy, France and Spain represent the top three wine producers and exporters in the world. Spain differs from its two neighbours in that its consumption is lower.

The United States is the world's leading wine consumer, ahead of France, Italy and Germany. China, England and Russia also consume wine, despite the fact that they produce almost nothing. Chile produces almost exclusively for export.

World wine production, exports and consumption by country million hectolitres



Source : OIV, XO Investments

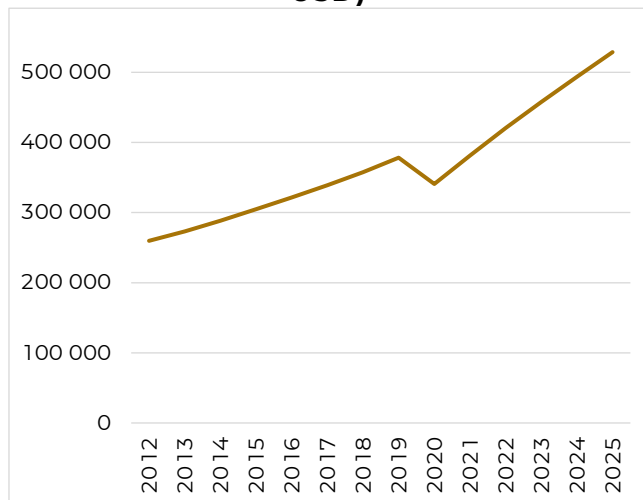
Rising prices

Despite stagnating production, the world wine market has seen an increase in revenue over the last decade. With a turnover of around 400

billion per year, and a target of 500 billion by 2025, this culture is not without impact on Italian, French or Spanish finances.

However, export revenues are dependent on trade practices and a diplomatic chill can have painful consequences. For example, on 18 October 2019, President Trump introduced a 25% tax on foreign wine in the US. This tax, which has since been suspended and is currently being renegotiated, is a sword of Damocles for France, Italy and Spain, the main suppliers to the world's largest customer, the United States.

Global wine market revenues (million USD)



Source : Statista, XO Investments

The products are heterogeneous between these different exporting countries. Some producers have a volume objective, while others produce luxury goods, such as the great French wines. Like watchmaking, the agricultural sector offers a fairly wide range of qualities, from crafts to industry. It is not surprising that some of the great French châteaux are owned by the great luxury empires.

To measure the prices of the greatest wines, price indices have been created by the company Liv-ex (The London International Vintners Exchange). In addition to regional indices (Bordeaux, Burgundy, Champagne, etc.), the company publishes global indices of the greatest wines.

The Liv-ex Fine Wine 50 index thus represents the price of the most processed wines. It includes only the 10 most recent vintages and no futures. No quality criteria are used. For the Liv-ex Fine Wine 100, it is the benchmark of the industry leaders by including 100 exceptional wines.

Constituents of Liv-ex 100 Index

Region	Wine	Year
Australia	Penfolds, Grange	2008
Bordeaux (Red)	Angelus	2010
Bordeaux (Red)	Cheval Blanc	2000, 2005, 2006, 2009
Bordeaux (Red)	Cos d'Estournel	2009, 2016
Bordeaux (Red)	Ducru Beaucaillou	2009
Bordeaux (Red)	Haut Bailly	2009
Bordeaux (Red)	Haut Brion	2000, 2005, 2009, 2010, 2015
Bordeaux (Red)	Lafite Rothschild	2005, 2006, 2009, 2010, 2015, 2016
Bordeaux (Red)	Latour	2000, 2005, 2009, 2010
Bordeaux (Red)	Leoville Las Cases	2005
Bordeaux (Red)	Leoville Poyferre	2010
Bordeaux (Red)	Lynch Bages	2009
Bordeaux (Red)	Margaux	2000, 2005, 2009, 2010, 2015
Bordeaux (Red)	Mission Haut Brion	2005, 2009
Bordeaux (Red)	Montrose	2010
Bordeaux (Red)	Mouton Rothschild	2000, 2005, 2006, 2009, 2010, 2015
Bordeaux (Red)	Palmer	2009
Bordeaux (Red)	Pavie	2005, 2010
Bordeaux (Red)	Petrus	2009, 2010
Bordeaux (Red)	Pichon Baron	2010
Bordeaux (Red)	Pontet Canet	2009, 2010
Bordeaux (Red)	Smith Haut Lafitte	2009
Bordeaux (White)	Yquem	2001
Burgundy (Red)	A. Rousseau, Chambertin	2015
Burgundy (Red)	Armand R., Chambertin Clos De Beze	2016
Burgundy (Red)	Comte Vogue, Musigny VV	2014
Burgundy (Red)	Domaine Clos Tart, Clos Tart	2016
Burgundy (Red)	Dom. Leroy, Clos Vougeot	2015
Burgundy (Red)	Dom. Leroy, Vosne Romanee Beaumonts	2015
Burgundy (Red)	Domaine Ponsot, Clos Roche Vv	2016
Burgundy (Red)	DRC, Richebourg	2014
Burgundy (Red)	DRC, Romanee Conti	2015
Burgundy (Red)	DRC, Tache	2015
Burgundy (Red)	Francois Lamarche, Grande Rue	2015
Burgundy (White)	Coche Dury, Meursault	2016
Burgundy (White)	Dom. Leflaive, Chevalier Montrachet	2016
Burgundy (White)	Dom. Leflaive, Puligny Montrachet Clavoillon	2015
Burgundy (White)	Raveneau, Chablis Montee Tonnerre	2016
Champagne	Krug, Vintage Brut	2004
Champagne	Louis Roederer, Cristal	2008
Champagne	Louis Roederer, Cristal	2009
Champagne	Moet & Chandon, Dom Perignon	2006, 2008, 2009
Champagne	Pol Roger, Sir Winston Churchill	2008
Champagne	Taittinger, Comtes Champagne	2006, 2007
Italy	Bartolo Mascarello, Barolo	2014
Italy	Brovia, Barolo Villero	2013
Italy	Gaja, Sperss	2013
Italy	G. Conterno, Barolo Riserva Monfortino	2010
Italy	Masseto	2014, 2015
Italy	Ornellaia	2013, 2015
Italy	Sassicaia	2014, 2015, 2016
Italy	Solaia	2015
Italy	Tignanello	2015, 2016
Rhone	Beaucastel, Chateauf Du Pape	2015
Rhone	Beaucastel, Ch. Du Pape Hommage J Perrin	2012
Rhone	Clos Papes, Chateauf Du Pape	2016
Rhone	Domaine Jean Louis Chave, Hermitage	2015
Rhone	Guigal, Cote Rotie	2015
Rhone	Paul Jaboulet Aine, Hermitage Chapelle	2015
Spain	Vega Sicilia, Unico	2009
USA	Dominus	2015
USA	Opus One	2015
USA	Screaming Eagle, Cabernet Sauvignon	2015

Source : Liv-ex, XO Investments

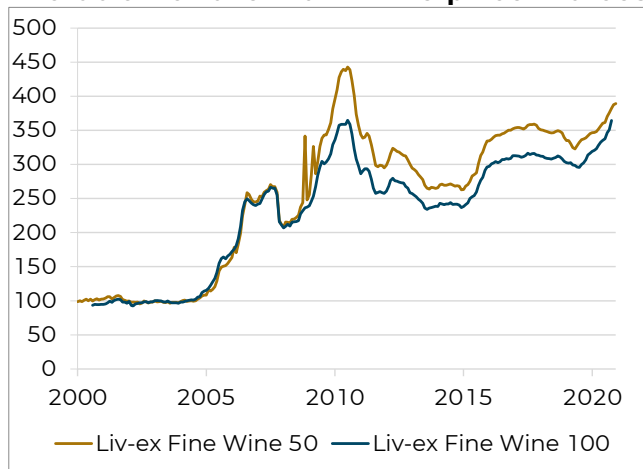
The price evolution of these two major indices is presented in the following graph.

After a sharp rise between 2005 and 2010, prices returned to a lower level between 2010 and 2015. It can be seen that the most traded wines,

without considering quality criteria, have increased the most in this period. This coincides with the period of rising global consumption.

Since 2015, prices have been rising again. They have increased threefold in 15 years. The evolution between the two indices has been relatively similar over the last 10 years. However, the recent period seems to show a more rapid evolution of the wines of the biggest houses. Indeed, while prices have risen by 12.58% over one year (to the end of October 2021) on the Live-ex Fine Wine 50, the Live-ex Fine Wine 100 has risen by more than 18%. In detail, it is the great burgundies and champagnes that are progressing the most with respective increases of 25% and 26%.

Evolution of the main wine price indices



Source : Liv-ex, Bloomberg, XO Investments

Overall prices remain lower than in 2010 but the index for high quality wines is now at its highest level ever.

Wine and a perishable luxury

Every inflationary period in history has led economic actors to look for ways to preserve their purchasing power. The creation of alternative currencies and bartering have been developed on many occasions to overcome these difficulties in daily exchanges.

Investors, on the other hand, have favoured the search for capital protection assets. Real estate and precious metals are two commonly cited examples. However, other real assets are sometimes used: agricultural land or luxury goods. Fine wines, like vintage cars or exceptional watches, belong to this category. But it is one of the only perishable conservation products of value. It is likely that, as in the 2008 financial crisis, inflation and the current crisis will drive the price of premium wines to higher levels. Fine wines therefore combine the characteristics of luxury goods and asset protection.

But the end-of-year celebrations could also provide an opportunity to appreciate, through these vintage wines, the pleasure of apprehending the passing of time in the company of loved ones. This is perhaps what luxury is all about.

"He who knows how to taste never drinks wine again, but tastes its sweet secrets.

Salvador Dali

The XO Investments team wishes you all a wonderful Advent season and a very happy holiday season.