

Wine Not?

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One creative investment firm is looking to fine vintages as an alternative investment vehicle

In 2004, while sitting on the investment board of a trust, Dan Pembleton, president of Toronto-based Accilent Capital Management Inc., heard about the London-based Wine Investment Fund from fellow board member Rodney Birrell, one of the fund's three directors.

Formed in 2002, the fund treats wine as a commodity, buying and selling units on the London Vitner's Exchange (known as Liv-ex) — a stock exchange dealing exclusively in wines. "I had always been interested in collectables as an asset class in addition to commodities, real estate and other alternative assets," says Pembleton. "I became very interested in what Rodney was doing. We developed a plan to bring The Wine Investment Fund to Canada in late 2006 or early 2007."

By April of 2008, the Wine Investment Fund Canada (WIFC) was ready to be launched by Accilent. The fund, sub-managed by Birrell and company in the U.K., closed its first offering on July 31st and is launching a second offering this fall. WIFC deals with Bordeaux and Burgundy vintages. "There are specific rules limiting the amount of acreage that can be declared a Bordeaux or Burgundy which restricts supply and adds investment value," says Pembleton.

Pembleton understands putting the terms "wine" and "investment" in the same category can create confusion for investors. However he says WIFC is uniquely positioned compared to other wine investment concepts. "There are other wine investment ideas such as futures funds or people cellaring it themselves but this fund is a purely financial vehicle," he says. "With futures-based funds you are purchasing wine now that hasn't been bottled and, in many cases, hasn't been grown yet, so there are an awful lot of unknowns. This wine fund is actually buying the physical bottles of wine, so it is already a known quantity, and there is no investment until the wine is at least five years old."

Kat Inokai, manager of operations and marketing, acknowledges that there are challenges in getting people to invest in an alternative commodity like wine, but says Accilent is up to the task. "I think there is an idea that when you say 'wine fund' people think it is a wine club or futures scenario," Inokai says. "The main challenge is taking wine, re-contextualizing it as a commodity and saying it's no different from gold or oil and gas. These are investment-grade wines, and the prices can range from \$800 per bottle to over \$5000."

What has Pembleton excited about WIFC is the potential for returns which, he says, averaged 1.5 per cent monthly with the U.K.-based fund over the past 5 years. "This is an exceptional return in any asset class. We are using the same managers. We want the same returns for investors." •

*Find more information about Accilent's **WINE INVESTMENT FUND CANADA** online at: www.accilentcapital.com, email us at service@accilentcapital.com, or call toll-free at 1-877-429-9779*