Alto CAPITAL

An introduction to investing in fine wine and rare spirits

Alternative assets open investors to an expanding variety of potential opportunities to create and protect wealth beyond publicly available stocks, bonds, and treasuries.

Among the most interesting of alts is fine wine and rare spirits.

This category comes with a fascinating real-world history, an exciting and differentiated risk/return profile, and material tangibility, all of which are attractive to many investors curious about fine wine and rare spirits.

Alternative assets: What they are and ways they've benefited investors

Alternative assets are investments that fall outside the traditional categories of registered securities like stocks and bonds. They include private equity, private credit, venture capital, and commercial real estate, but also lesser-known categories such as farmland, fine art, fine wine and rare spirits, and digital tokens.

In the last decade, alternative assets have seen an increase in popularity among investors for a variety of reasons.

- **Portfolio diversification**
- **Potential returns**
- **New and improving entry points into the markets**
- **Better (and more widely available) education**

20-year annualized performance of private market strategies versus U.S. equities and fixed income

July 1, 2002 – June 30, 2022	20-yr internal rate of return
Private Equity	13.7%
Venture Capital	15.8%
Private Credit	9.9%
Real Estate	8.7%
S&P 500	9.1%
US Aggregate Bond	3.6%

Past performance is no guarantee of future results.

Source: Cambridge Associates, eVestment, Bloomberg via Merrill Lynch

Introducing fine wines and rare spirits as an alternative to consider adding to your portfolio

The fine wine and rare spirits asset class offers investors a tangible, conversation-sparking alternative asset — and a compelling historical performance.

This segment is a part of the luxury and collectible goods market. The naturally improving quality of wine over time as well as the enjoyment of rare spirits on special occasions create an allure that has endured throughout history and spread across the world.

Investments in wine and spirits first began when wealthy families or passionate individuals curated personal wine collections to both enjoy and express themselves. The unique nature of each collection showed the owner's knowledge and appreciation for the products, and even today, this form of self-expression lives on.

The disappearing barriers to investing in fine wine and rare spirits

In the past, individuals who have wanted to invest in alternative assets have often encountered seemingly insurmountable challenges, and the wine and spirits investment ecosystem is no exception. Some common barriers investors have faced are:

- **Inaccessibility**
- **Lack of knowledge**
- **Complex contracts and regulatory hurdles**
- **Little or no standardization for valuation or processes**

Thankfully, all those barriers are changing, and some are disappearing altogether.

- **More access**
- **Better information sharing**
- **Increasing quality of leadership**

What are some benefits of adding fine wine and rare spirits to alternative investment portfolios?

The advantages of alts apply to fine wine and rare spirits, but this particular subgroup has a few unique benefits just for its investors.

Most conspicuously, fine wine and rare spirits have seen a historical sustained value growth that's been more predictable than some other assets. In the last ten years, investors saw growth good enough for analysts to call "silly", per Nick Martin of Wine Owners. The values of the wine and whiskey markets have grown 149% and 322%, respectively, in the last decade.

Need-to-know information required before investing in this asset class

The responsibility remains on the investor to research all viable investment options thoroughly before making decisions. Here are a few important things to know to get started:

"Insulated" doesn't mean invincible	Investors can start at any time	Your chosen partner or issuer matters

- **"Insulated" doesn't mean invincible.** All investments face risks. In this space, real risks include insurance rate changes, regulatory updates, and inflationary costs of business expenses like labor, logistics, and materials.
- **Investors can start at any time.** A common misconception is that you're either too young or too old to diversify into fine wine and rare spirits as a portfolio diversification move. But that isn't true. "The younger investor is in the same boat as the older investor," says Scott Harrigan, President of Alto and CEO of Alto Securities. "If they hadn't had exposure to alternative assets, they're both starting from the same point." Just like your net worth, your age shouldn't play a prohibitive role.
- **Your chosen partner or issuer matters.** Due diligence starts with the largest risks and works through to smaller risks. For example, make sure your fund manager passes a background check to ensure they're trustworthy. Then you can start evaluating their compatibility with your needs. The Institutional Limited Partners Association's (ILPA) official questionnaire lists over 220 questions to help vet general partners.