

### WINE'S THE WINNER

	1-YR MOVE	10-YR MOVE
LIVE-EX FINE WINE 50	55%	276%
FTSE 100	18	-20
S&P 500	12	-29
GOLD	48	194

As of June 30. Excludes income and costs. Source: Live-ex



## MONEY



# Liquid Assets

Wine funds let you invest in Bordeaux first growths and other top bottlings.

BY ELIN McCOY

▶ GLOBAL PRIVATE INVESTOR Phokion Potamianos caught the wine-investing bug early. At 17, he spent 20 pounds on a rare cabernet sauvignon from Greek winery Domaine Porto Carras. "I sold it three years later for £350," he recalls. "I was very pleased with myself."

This past spring, Potamianos, now 46, put money—he wouldn't say how much—into the just-launched Bottled Asset Fund, which is directed by Sergio Esposito, co-founder of New York's Italian Wine Merchants. Along with Citigroup Inc. Chairman Richard Parsons; William R. Benz, head of Pacific Investment Management Co.'s Europe, Middle East and Africa operations; and at least 21 other investors, Potamianos is betting on serious profits from wine. "I've found it a fascinating investment vehicle for the last decade, with qualities and economic dynamics akin to the art market and other objects of beauty," he says.

Potamianos, Parsons and Benz are on the fund's advisory board. As of mid-September, the fund had raised \$10 million. Esposito expects to have raised \$15 million more by 2012.

Both Potamianos and Parsons were inspired by the numbers. The Fine

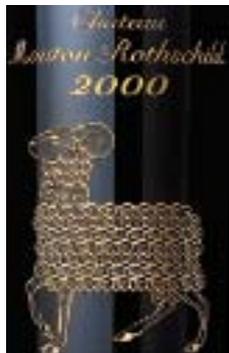


Wine 50 Index—a benchmark for prices of Bordeaux first growths that's compiled by London-based electronic-wine-trading exchange Liv-ex—rose 276 percent in the 10 years ended on June 30. Though prices of investment-grade bottles dipped 20 to 30 percent after the September 2008 stock market crash, many have rebounded, especially from vintages prior to 2005.

Given this kind of growth, it's no wonder that, in a decade, the number of wine investment funds has gone from a few to more than two dozen. In the U.S., The Wine Trust's Richard Bakal, who managed private wine investments for his family, is now helping oversee a fund that's open to other investors. London-based Peter Lunzer is starting the most recent iteration of his Lunzer Wine Fund SPC.

The biggest returns have been for top Bordeaux, especially first-growth Chateau Lafite Rothschild and the estate's second label, Carruades de Lafite. Driven by Chinese demand, the price of a case of 1982 Lafite climbed 1,137 percent in the 10 years ended on Aug. 31.

"The Bottled Asset Fund's strategy is to acquire wine direct from a handful of top small estates in Italy, Spain and



Champagne, purchasing significant amounts of their production at the lowest price and holding it until optimal marketability," Esposito said over dinner in the cellar room at Italian Wine Merchants, near Manhattan's Union Square. He says his target return is 30 percent a year.

Investing in a wine fund isn't a get-rich-quick scheme. Most funds have a lock-in period and tend to be unregulated, based offshore and structured as private-equity funds. And they may collapse: In June, Singapore-based Assets Wine Management closed up without notice. Currency fluctuations can also offset potential profits.

As in the art market, do-it-yourself investment isn't always easy. It's difficult to find investment-grade wines with impeccable provenance, and there's no instant liquidity if you need to sell.

Unlike shares in a wine fund, though, you can always liquidate your purchases by drinking them. Potamianos never sold a case of Italian icon Sassicaia that he bought in 1992. "We drank it at my wedding nine years later," he says.

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## ▶ RIPE FOR PICKING?

PRICES ARE PER CASE, AS OF SEPT. 13.

**2000 CH. MOUTON ROTHSCHILD (\$13,000)** Chinese buyers may embrace this undervalued first growth. The price has been slowly rising since September 2009.

**2000 CH. HAUT-BRION (\$9,500)** Cheaper than the 2005 or 2009 and other 2000 first growths—and recently upgraded to 99 points by Robert Parker.

**2007 CH. LAFITE ROTHSCHILD (\$9,000)** The least expensive recent vintage of this Chinese favorite has doubled in price from the end of 2009.

**2009 CH. DUHART-MILON (\$1,200, futures)** Will this Lafite wine rise like stable mate Carruades? Futures have increased 25 percent over the May release price. **E.Mc.**



MONEY

## Avoiding the Tax Bite

BY MARGARET COLLINS

▶ **WEALTHY AMERICANS** have the equivalent of a year's tuition and expenses at Harvard riding on the battle over the Bush-era tax cuts. Say you're a married New Yorker earning about \$1 million in income, with \$50,000 in long-term capital gains, \$5,000 in dividends and no deductions to report. While Republicans want to extend the tax reductions for you and everyone else, President Barack Obama is pushing for rates to go back up next year for richer Americans. If he gets his way, you'll owe about an extra \$45,300 in federal income taxes, \$2,500 on capital gains and \$250 on dividends, says Alan Dlugash, a partner at New York-based accounting firm Marks Paneth & Shron LLP. "These are very large tax increases," Dlugash says.

Taxpayers have a handful of options to reduce the tax hit. With Obama pushing for a higher capital-gains rate, they

CHATEAU MOUTON ROTHSCHILD: ILLUSTRATION BY JOSH COCHRAN

may want to adjust investments this year to realize gains while levies are lower. You may also book losses on some investments this year, which may be used to help offset future gains when taxes are higher, says Matthew Keator, a partner at Keator Group LLC in Lenox, Massachusetts. And pushing deductions, such as charitable donations, into next year will lessen your tax load, too.

If you're moving money into tax-exempt municipal bonds, avoid having more than 50 percent of these investments issued from one state and keep the average duration to no more than five years, says Dan Yu, a director at New York-based EisnerAmper LLP's advisory practice group. Investors should also research the credit quality and potential for rising interest rates, Yu says. Tax-exempt municipal bonds due in 8 to 12 years were yielding an average of 2.87 percent as of Sept. 17, according to Barclays Capital indexes.

Executives may elect before year's end to delay some of their expected 2011 salary through nonqualified deferred compensation plans, says William MacDonald, chief executive officer of Retirement Capital Group,

## ▶ EATING YOUR WEALTH

The end of Bush-era tax cuts would be costly for the rich. BY RYAN DONMOYER



INCOME TAX

**On Dec. 31, top rates revert to 36 percent from 33 percent for married couples earning \$200,000 to about \$400,000 and to 39.6 percent from 35 percent for those earning over about \$400,000.**

**DEBATE** Obama doesn't want to extend cuts for joint filers making more than \$250,000. Most Republicans do.

**IMPACT** Taxpayers earning \$200,000 to \$500,000 would pay an average of \$532 more.



ESTATE TAX

**In 2011, the tax, which was phased out by 2010, is due to return with a top rate of 55 percent on estates valued at more than \$1 million per individual.**

**DEBATE** Obama proposes a top rate of 45 percent after a \$3.5 million exemption. Most Senate Republicans want the tax to remain repealed or reformed.

**IMPACT** If Obama prevails, about 7,100 estates will be subject to the tax in 2011.



DIVIDENDS, CAPITAL GAINS

**Taxes on dividends are poised to return to rates as high as 39.6 percent from 15 percent. The capital gains rate will jump to 20 percent from 15 percent.**

**DEBATE** Obama hopes to cap dividend rates at 20 percent and let capital-gains rates revert to 20 percent for couples making more than \$250,000. Republicans want to keep the 15 percent rates in place.

**IMPACT** Households with incomes of more than \$1 million reported two-thirds of all capital gains in 2006.

Sources: Congressional Joint Committee on Taxation, IRS, Tax Policy Center

a benefits consulting firm in San Diego. The plans generally allow the most highly paid employees in a company to defer up to 90 percent of their salaries until a future date, such as retirement, when they may be in a lower tax bracket. "People are very conscious

of these vehicles now and how to use them to plan around the new tax environment," MacDonald says.

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### MONEY



## The Anti-Gazumpers

▶ A NEW BREED OF REAL-estate agent is leveling the playing field for buyers of luxury housing in the U.K. Buyers typically work with estate agents, who show them properties but are paid by the sellers. That leaves buyers with little protection from getting "gazumped," in which a higher bidder swoops in at the last minute and steals the deal. Now, as prices surge for a dwindling number of available top-end properties, buyers are hiring their own agents from an expanding pool that includes Property Vision, a unit of HSBC Private Bank. For a retainer plus commissions of as much as 2.75 percent of the sale price, agents locate homes, negotiate prices and arrange legal and survey work. They're prized mostly for speeding up the process to reduce the chance of buyers being gazumped. "Over the past five years especially, there has been a quadrupling in the number of buying agents in the prime central London market, and their numbers increase all the time," says Noel de Keyzer, head of house sales at broker Savills Plc's Sloane Street branch. **SIMON PACKARD**

Agents help buyers deal for London homes, such as this one listed at 23.95 million pounds (\$37 million).