

Super plan stirs wine glut worries

Alison Kahler

Wine investors may be forced to adopt more sober expectations of returns should controversial superannuation reforms requiring do it yourself fund investors to sell their collections become law.

The Cooper review of the super system recommends that all wine held in DIY funds be sold within five years or transferred to small Australian Prudential Regulation Authority funds.

"It would be devastating," said John Cuff, a general manager of Australia's largest wine storage service, Wine Ark. "The market would be flooded with premium Australian wine." Mr Cuff said Wine Ark's storage centre holds up to 3000 cases of wine on behalf of DIY funds.

One investor alone was storing 180 cases at the centre valued at nearly \$150,000 as at June 30 last year.

The Cooper review's recommendation has caused widespread outrage among collectors of other assets who would be affected by a ban on exotic assets, including art buffs, coin collectors and boat owners.

Not all experts are concerned the



John Cuff of Wine Ark says the market would be flooded with premium Australian wine.

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proposals would generate a glut of investment-grade wine. Stewart Langton, general manager of Langton's Fine Wine Auctions, said it was unlikely DIY funds held sufficient volumes of wine for forced sales to have a large impact on prices.

But most recognised the potential for the mooted reforms to have at least some effect on prices.

Daniel Schwarze, general manager of Sydney-based MW Wines, said Penfolds Grange Hermitage magnums had traded at a premium until

companies that had targeted small investors went out of business. One company, Heritage Fine Wine, went into liquidation in 2004, leaving thousands of investors out of pocket. The collapse caused havoc in the wine auction market.

Successful wine investors can make returns in excess of those generated by the sharemarket, but big gains are limited to 5 per cent of the wine market, Mr Schwarze said.

The Liv-ex Fine Wine 100 Index, a measure of the world's most sought-

after fine wines for which there is a strong secondary market, returned 41 per cent in the year to June 30 versus about 12 per cent for the average institutional super fund.

"The current market is oversupplied, with people talking about pulling vines," Mr Cuff said. "The top end is still quite protected, but if you put tens or twenties of thousands of products on the market, that could change."

The government will respond to the Cooper review in the next two months.

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