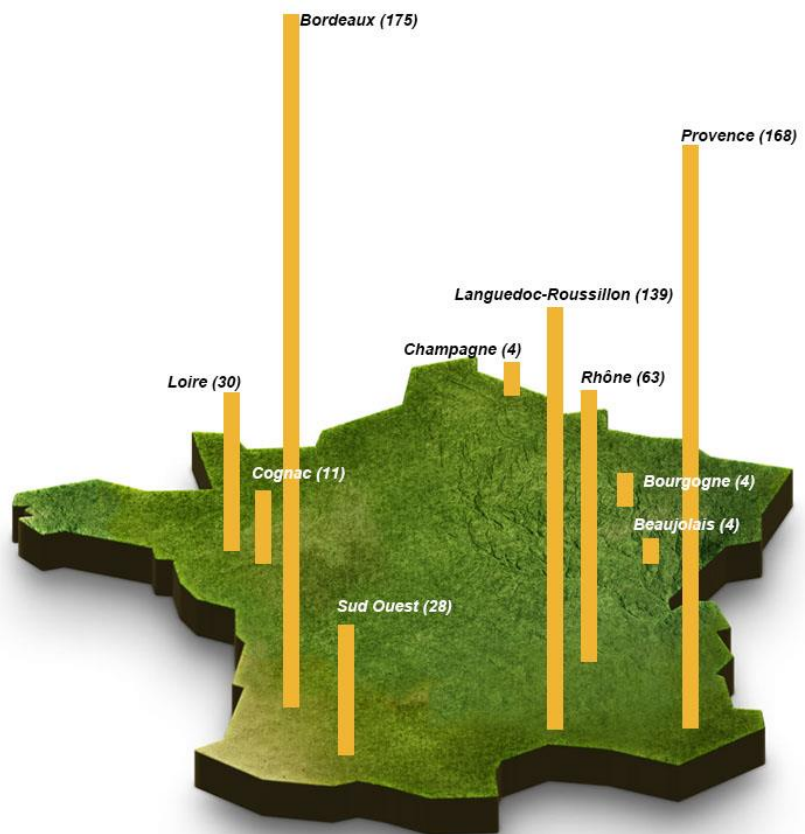


Vineyard Investment Portfolio

FRENCH DEALS & OPPORTUNITIES



Opportunities



Vineyard Investment Portfolio



FRENCH DEALS & OPPORTUNITIES

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Chinese investments in vineyards in France are on the rise and it should be no surprise.

There is a perfect storm of 'meteorological' forces that explain this enthusiasm and strategy for continued investment activity in this sector.

I was going to say that there are ten factors. It would seem like enough to make my point. But instead I'm offering you eleven!

1 China continues to appreciate wine – with a wider and wider segment of its population raising its glass to this trend. This makes the ownership of wine-making abroad a business opportunity as a product to import, and a status symbol as a lifestyle with which to be associated.

2 There is a particular attraction to France – a combination of its reputation in wine-making, the romantic image of the country, and its suitability for wine-making joined with holiday-making for the investor's family and friends.

3 These opportunities invariably include, as part of the vineyard transaction and history, a beautiful home which is usually also a castle or historically-important house. It's difficult to buy a historical castle in China but you usually get one when you buy a vineyard in France.

4 The Chinese economy may not be as strong as it was a few years ago, but in relative terms to France it's very strong, not to mention the fact that the rich in China are still rich.

5 To put things in perspective, there are 500 Chinese people with fortunes greater than one billion euros. A vineyard in France is a feather in the hat with business promotional benefits and profit-making potential as well, which can easily be bought for as little as

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0.5% of such a person's net worth. Let the 99.5% do what it does while the 0.5% can add a lot of other things while it makes money too.

6 Chinese investors, just like many Chinese companies, are increasingly interested in having a globally-diversified portfolio. Such foreign assets can be a balance to their domestic concentration but can also offer responsibilities and challenges to bestow upon the next generation, many of whom have been educated abroad and are thus already well-prepared to play a role in such foreign ventures.

7 According to an 'uncreative', traditional financial analysis, the value of an investment is the present value of all future post-tax income discounted for the time value of money. But if one takes a more creative view encompassing a broader picture, an investment can have all of that as well as the benefits of kudos, personal pleasure, experience broadening, and challenge for oneself and one's family. Investors who understand the more complex elements in investing will be able to purchase assets with a modest price and yet a high CROI (Complex Return On Investment). The others, seeing just the traditional ROI, will miss the opportunity. Chinese investors are investment and so they have an advantage in profiting from these multi-faceted assets.

8 Moving from the demand side of economics to the supply side, there is an almost unlimited number of vineyards on the market. You can name any region, any size, any quality, as well as any budget, along with any type of architecture in term of era or style for the house, and you will find numerous options in each category. And this is the extraordinary thing – you can often name all of your dreams at the same time and the wide choice means there is probably a vineyard that will meet every one of them – or there will be several matching opportunities, which will only serve to confuse you!

9 Meanwhile, a vineyard and chateau with an important history can be purchased for half the price of a family house in one of the best areas of London or New York, or a tenth of the price of a work of art produced by someone in a couple of hours one afternoon. This is not to denigrate art or these cities, but rather to say that history can be purchased for relatively little and it can be a business as well.

10 Add to the perfect storm the fact that France is an embattled economy. Families which have guarded their vineyards with the same loyalty they had to their own children have become pragmatic in the face of economic pressure and government bureaucracy, which have caused the jewels to lack their lustre, at least in the eyes of the owner. They are ready to sell.

11 The owners are often not the people who built their properties, reputation, architecture and history, but descendants who received them from father to son and so on until the point that their attachment to the property is only hanging on by the thread of tradition and often isn't much to do with creativity, enthusiasm or business sense. A new owner may not have this thread of tradition but his creativity, enthusiasm and business sense can breathe a life into a property that will otherwise languish. You don't have to be French!

Our role

So what is our role in all of this?

We realise that there are investors and that there are opportunities. But we don't want simply to 'transact'.

Our role is to think before we link. What does this mean?

It means many things but in essence two:

1. Thinking carefully before we link you to the right opportunity. This means deeply understanding what the investor would benefit from and finding a selection of opportunities that match this bespoke profile. We use a special technique which involves a combination between investment analysis and what can be called 'investment psychoanalysis' to discover the ideal criteria for your situation. Investment psychoanalysis is appropriate when there are plenty of benefits and motivators in addition to the simple economic ones.

2. Thinking carefully about how things can work successfully after purchase so the investor purchases the right opportunity as measured in the fullness of time. This means thinking about how the Chinese investor can help the vineyard to be greater, how it can benefit the immediate local economy as well as himself. This way everyone is a winner. This will not only ensure a successful investment but will also ensure a 'sustainable' investment which becomes part of the local community from generation to generation on both sides of the world.

This report

To take this discussion to a practical level, this report presents two things:

- We summarise the Chinese investment to date in French vineyards. We could not find such a detailed report so we made one.

- We summarise the opportunities we have in our sights in the market at the moment. We have identified 626 properties at the time of publication. By the time you make a visit to France, some will of course have disappeared but we will have new ones for you.

We hope you like this thinking approach and if you do we hope you will enjoy studying this report and the opportunities we are offering.

One last thing. The name of this report - 'Vineyard Investment Portfolio' - is a selection of investments we have made, from which our Chinese contacts and clients can choose. We have not purchased them so they are therefore not in a formal investment portfolio, but we are ready to assist you in acquiring one.

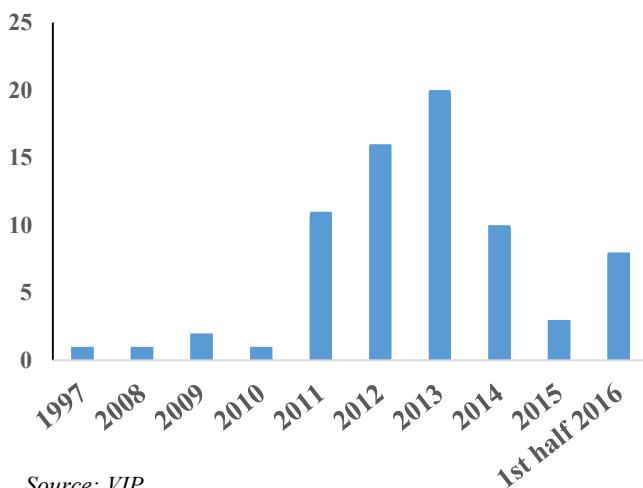
If this is of interest, we challenge you to engage in our investment analysis and 'investment psychoanalysis' with open-mindedness and enthusiasm!

Mark Dixon
Editor-in-Chief

The logo for 'Vineyard Investment Portfolio' features the words 'Vineyard', 'Investment', and 'Portfolio' stacked vertically in a green, serif font. The text is centered between two horizontal green bars of equal length.

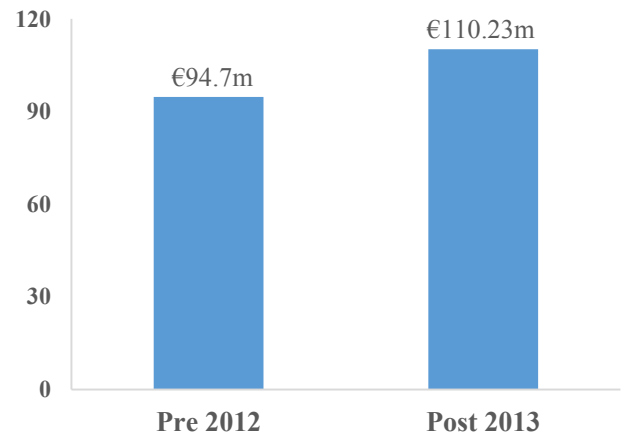
Vineyard
Investment
Portfolio

Number of deals



Source: VIP

Deal value



Source: VIP

Note: Based on 23 transactions where prices are disclosed

Commentary

The Chinese are back and we welcome them! Chinese purchases of vineyards peaked in 2013 and then fell back during the last couple of years. But in just the first six months of 2016 they have made more investments than in the whole of last year and it's likely the number of deals in 2016 will end up at four to five times the level of 2015.

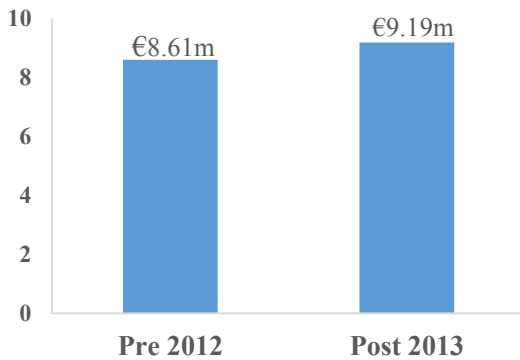
Over the years studied, we have identified 75 separate transactions by Chinese investors in French vineyards, with a total of 60 different investors. Some of the 75 transactions covered multiple vineyards meaning that a total of 105 vineyards in France have been purchased by Chinese investors. And even though the fashion was well-established by 2011 there's no evidence of Chinese trading

out their investments. They just keep accumulating properties.

The deal value is difficult to know exactly because many deal values aren't disclosed. But at least the disclosed ones can be used to see if there's a trend. This value before and after 2013 shows a broadly similar level, €95m vs €110m.

If this €200m total is extrapolated across the undisclosed deals it would result in a total spend of three-quarters of a billion euros. In practice it's likely to be lower than this because the larger deal prices were more likely to get into the public domain. Our estimate therefore is that total actual spend is about €500m.

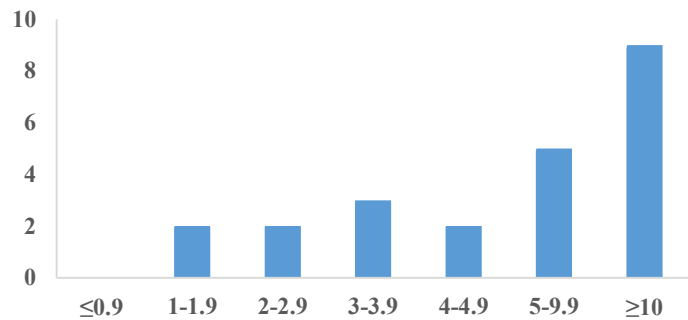
Average deal size



Source: VIP
Note: Based on 23 transactions where prices are disclosed

Deal prices

Number of deals in each price range (€m)



Source: VIP
Note: Based on 23 transactions where prices are disclosed

Commentary

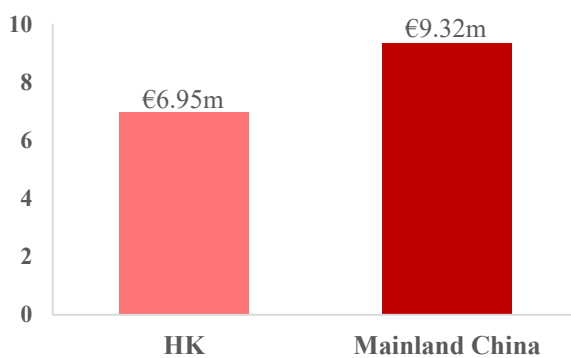
Deal size hasn't really changed much and continues to hover just below €10m based on disclosed prices. The undisclosed deals would probably have an average value of €5m.

What's notable is that Chinese investors have been buying valuable vineyards. The

distribution of how many deals they made in each size range shows a concentration in the largest sizes with almost no tiny transactions. This doesn't fit a standard distribution curve at all and is in stark contrast to the distribution of opportunities available in the market when looked at in size ranges (see 'Opportunity Analysis' section).

HK vs. Mainland China

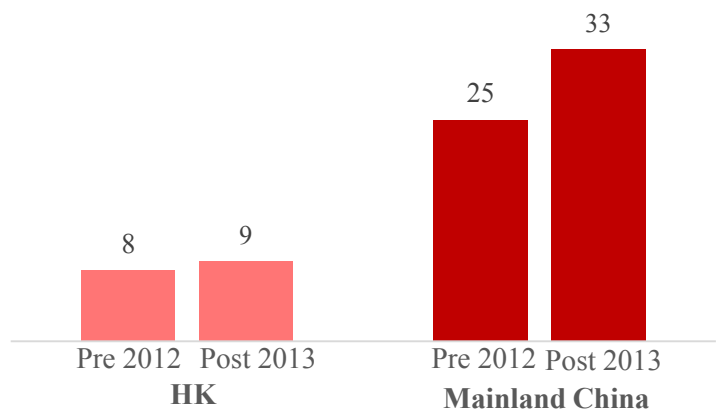
Average deal size



Source: VIP
Note: Based on 23 transactions where prices are disclosed

Mainland investors on the rise

Number of deals



Source: VIP
Note: Based on 75 deals

Commentary

Even though Hong Kong and Mainland are becoming more integrated economically there are some differences in investor behaviour. Although there were some early important Hong Kong based investors among the pioneers, Mainland investors tend to make larger deals, approximately 25%

larger on average. In terms of number of deals, Mainland investors have been more active in the last few years, with a 30% increase, while Hong Kong investors have maintained their investing at around the same level.