Splint

Armand Rousseau Chambertin

6 Bottles - Year 2018

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1 Introduction

We are pleased to announce our first rare wine opportunity coming straight from one of the most legendary French wine regions – Burgundy. We have 1 case (6 bottles) of „2018 Armand Rousseau Chambertin“.

Domaine Armand Rousseau is one of the region‘s most iconic producers. This is reinforced by a number of awards they have won during their 100 years of history. Today, the business is managed by the fourth generation. By keeping family control for such a long time, very specific know-how has been accumulated and continuously evolved over the years.

There are wine investors all over the world who have been in this business for a very long time. Investing in high-end alcohol is a very appealing endeavour due to high historical returns. Those investors have historically been the wealthy who are not deterred by high barriers to entry.

That is because not everyone has the capital, contacts, nor the time needed to afford such an investment on their own. Until recently, it has not been possible for private investors to participate in such opportunities without committing a substantial amount of capital.

2 Factsheet

Name	Armand Rousseau Chambertin
Year	2018
Origin	France
Region	Burgundy
Type	Red wine
Grape	Pinot Noir
Bottle Size	750ml
Quantity	1 case (6 bottles)
Rating	Robert Parker WA: 95-97+/100 Burghound: 97/100
Investment Horizon	9 to 11 years
Price	€15,950 (1 case of 6 bottles)
Price per Splint	€50
Number of Splints	319

3 Investment Decision

Armand Rousseau Chambertin is one of the most established investment opportunities within the wine world. It scores highly in relation to quality, scarcity, and international recognition. The wine got very high notes from the major critics, but it is the domaine itself that is one of the strongest arguments in favour of making the investment.

Being involved with a brand of this calibre provides a very strong addition to the portfolio.

4 Rating

8/10

Return
We have rated the upside potential of this investment opportunity as high. According to a Knight Frank report, Wine as a category has increased by over 120% during the last decade. This is an average increase and having said that, Armand Rousseau Chambertin is far from an average wine.

9/10

Stability
We have rated the stability of this investment opportunity as high. When stored correctly, wine does not become obsolete and tends to hold its value very well. Historically speaking, there is an overwhelming amount of demand for this wine which makes us very confident about being able to sell it at the right price.

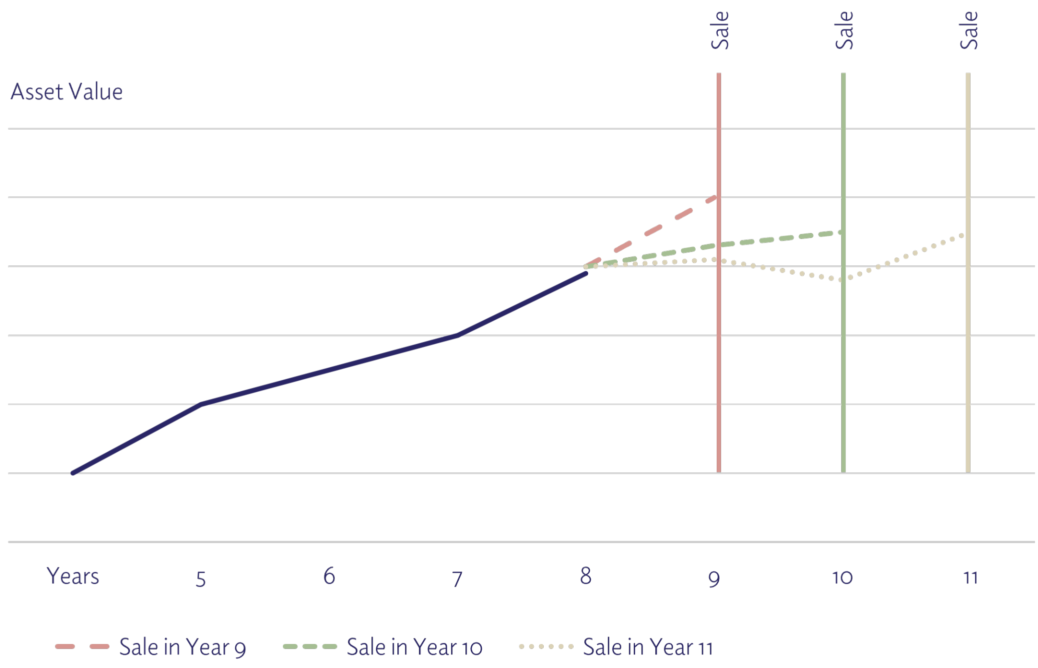
9/10

Track Record
We have rated the track record of this investment opportunity as high. We are dealing with 100 years of history and one of the top wines coming from one of the most iconic producers in one of the most legendary French wine regions.

5 Investment Process

Purchase	We source the bottles of wine from the supplier and manage all the paperwork.
Asset Listing	After the bottles are delivered, the investment opportunity is listed on the platform and the investors can participate in the opportunity by buying Splints.
Storage & Insurance	The bottles will be appropriately insured and stored for 9 to 11 years in a freeport.
Sale	After 9 to 11 years, we sell the wine. The proceeds from the sale are proportionally allocated to Splint Holders.
Payout / Reinvestment	The Splint Holders now face a choice between cashing out, reinvesting in a different wine bottle or in a completely different opportunity listed on the platform.

6 Investment Horizon



Value appreciation due to increasing maturity and scarcity
The investment horizon for this opportunity has been set to 9 to 11 years.

The reason for that is the fact that the wine continues to mature after it is bottled. If we wait long enough, we will not only enjoy the return from wine prices going up but also from the fact that the very intrinsic value of the wine (its maturity/age) has increased so much.

At the same time, the production of this wine is very limited, with only a few thousand bottles being released each year. This implies that after 10 years, we would expect most of this wine to be consumed already, either in restaurants or private households/events.

7 Cost Analysis

Asset Value	6 x	2,450	€
Service Costs		1,250	€
Price		**15,950**	**€**
Number of Splints		319	
Price per Splint		**50**	**€**

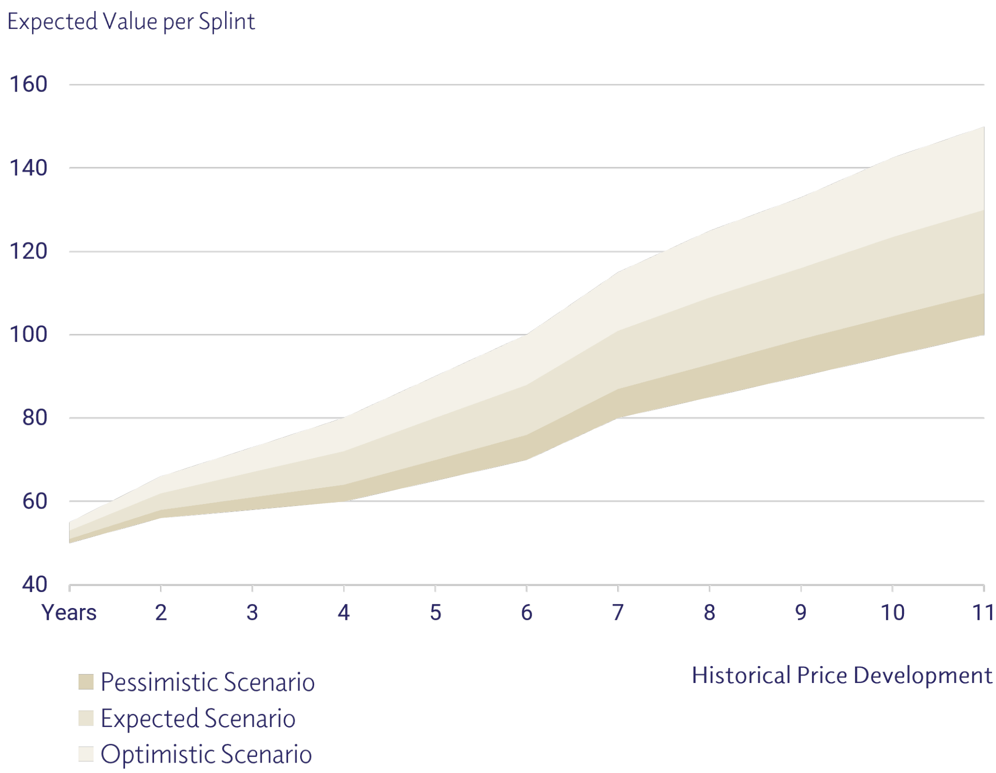
Additional information

The price of €2,658 includes the price of the bottle, shipping, handling, 10 years of storage and insurance. €2,450 can be attributed to the bottle.

At the end of the investment period, a sale can be organised privately or via an auction house. In case of wine, the first preference for Splint Invest is the private sale, as long as we get a satisfactory offer. This is because at an auction house, the fees tend to be high.

Splint Invest will charge an exit fee of 2% applied to the proceeds from the sale of the asset. Each Splint Holder bears a proportional part of the costs.

8 Investment Forecast



Forecast assuming the investment horizon of 9 to 11 years
Wine as a category has increased by 120% in the past decade, or 8.2% annually. As a result, we would expect this release to be at least in line with the industry average, possibly a little bit higher. We therefore estimate that a €50 investment can increase in value to anything from €100 to €150.

*Wine prices can change, and historical data is not a guarantee for future performance.

Supply
Adam decides to exit before the end of the investment period and offers his Splints for sale on the secondary market.

Demand
Anna would like to participate in the investment opportunity and buys the Splints by accepting Adam's offer.

Exit before the end of the investment period
If a Splint Holder decides to exit the investment early either by arranging a sale via Contact Form or our Secondary Market (to be introduced during Winter 2021/2) then the new owner of the Splint takes on the remainder of the variable cost.

For example, if 10 years of storage and insurance are paid in advance but the investor chooses to exit after 1 year, then the new owner of the Splint takes over 9 years of those costs. This will be reflected in the price.

9 ESG Considerations

Our assessment with respect to ESG factors

Investing in the wine case of Armand Rousseau Chambertin in generally in line with international ESG norms. There is no excessive production since the wine is of very high quality and almost immediately met by demand. By investing in this asset, one supports a long-standing tradition of the French wine production that goes back centuries. Our screening process has shown no evidence of corruption and the domaine enjoys a very strong reputation.

At the vineyards of Armand Rousseau, farming is practiced by combining traditional viticultural techniques with modern methods. At Armand Rousseau, farming is also practiced as sustainably as possible. They grapes are picked by hand and 90% of the grapes are destemmed.

Plowing of the vineyards helps aerate the soil which avoids the use of chemical fertilizers and maintains the soil in good health. Which in return protects ground water and helps to preserve biodiversity. Eric Rousseau, who took over the vineyards in the third generation played a key role in setting up the production of organic wines.

At Splint Invest we strictly avoid investments that breach international ESG norms. We strive to actively promote investments that target sustainability issues such as climate change and resource scarcity. We will inform you on our website as soon as we have integrated a holistic ESG concept.

10 Asset Class Information

Rare Wine is something that has fascinated investors for centuries. Many lifetimes have been spent trying to master this field and it's virtually impossible to know it all. Investing in wine is very complex but when done correctly it can prove to be a very lucrative endeavour. Rare Wine prices have increased by over 100% during the last decade and it appears that the demand is only growing stronger due to a whole new market being discovered in the form of wealthy Chinese aficionados. The global wine market size was USD 364.25 billion in 2019 and is projected to reach USD 444.93 billion by 2027, exhibiting a CAGR (Compound Annual Growth Rate) of 6.06% during the forecast period. Wine continues to mature after it's bottled and as a result it benefits from an additional price increase over time due to a higher intrinsic value as years pass by. Creating a Rare Wine portfolio is a journey that never truly ends. Once we decide what the composition should be, that's just the beginning of it. It is important to stay informed about the latest trends in order to make appropriate sales and additions to our collection.

Key factors for wine investment:

Region Choosing the right portfolio mix is very much like making selections on the stock market. We should avoid putting all our eggs into one basket and in the world of Rare Wine this implies diversifying our portfolio across different wine regions. These would include some of the classics such as Burgundy, Bordeaux and Champagne but we should also consider wines from different countries such as Italy or Portugal.

Quality Choosing wine regions for our portfolio is the first step towards success. However, it is by no means the only one. Once we select what regions are in scope for our portfolio, this is where the main part of the research begins. Not every producer inside of those iconic regions maintains the same standards; it is possible to come across a poor-quality wine in those regions too. It is estimated that only 0.1% of global wine production is of investment grade and it is therefore of paramount importance to select award-winning wine from high-end producers in the right regions.

Storage Last but not least is the maintenance of such portfolios. It is simply insufficient to store a few bottles in your basement if you expect serious returns. The importance of storing your wine professionally with the possibility of getting a certificate to prove it, cannot be underestimated. Many auction houses won't even accept the wine if they feel that storage conditions could have been compromised.

11 Investment Evaluation

Quality
As previously mentioned, only 0.1% of global wine production is considered to be of investment grade. Armand Rousseau Chambertin is probably within top 1% of that 0.1%. The wine has a very long history of being successful and the year 2018 has received very good ratings so far:

Robert Parker WA: 95-97+/100
Burghound: 97/100

As a result, we are confident that the quality of the wine will not be questioned. What is special about Armand Rousseau is that the vineyards are planted with old vines which enjoy clay-limestone soils. This soil is the main reason for Armand Rousseau wines being so complex and concentrated in taste.

The practice of green harvesting helps to reduce yields and produce concentrated fruits. By stripping the leaves of the fruit, the grapes get more sun exposure and enhances the ripening process.

Domaine
In the early 20th Century, Armand Rousseau inherited several vineyards from Gevrey Chambertin and founded the domaine. In the 1930s the domaine was one of the first to bottle and sell wine directly to consumers. In 1945 Armand's son Charles inherited the estate from his father and helped to acquire new vineyards nearby, such as the Grand Cru areas. Today, the domaine is managed by the fourth generation with Charles' son Eric and his daughter Cyrielle. It is because of Eric that Armand Rousseau has converted towards a more organic viticulture.

There is much to be said about a brand such as Armand Rousseau Chambertin. Since its inception, over 100 years ago it has been a constant rise to the top in one of the most competitive wine regions on the planet.

This statement is further reinforced by Domaine Armand Rousseau winning the 1st place in the Power Brand ranking organised by Liv-ex (The British Wine Exchange) in 2019. The four criteria included: price performance, trading activity, the number of wines and vintages and the average bottle price at each producer.

Region
In general, France is considered to be one of the classics when it comes to high-end wine. Burgundy is one of the most romanticised wine regions around the globe. It is also one of the most expensive ones. Located in central-eastern France near the city of Dijon, the Burgundy wine region has close historical ties to the monasteries and is built on centuries of winemaking tradition. Even Napoleon Bonaparte used to drink wine from the region of Chambertin, a subregion of the Burgundy. The wine destined for him was even specially labelled with an N. This further underlines the historical importance for the region.

In July 2015, the region of Burgundy even gained UNESCO world heritage status. Amongst the top estates of the region are Domaine de la Romanée-Conti, Domaine Leroy, and of course the vineyard of our investment, Armand Rousseau.

Most of the highest quality bottles are very difficult to get. As a result, the highest quality wine from this region tends to be highly sought-after by consumer and investors alike. The Armand Rousseau vineyard plots are located on the eastern and south-eastern slopes of Cote de Nuits which allows the vine plantings to benefit from perfect sun exposure. This positively affects the price development over the last decades.

Scarcity
Armand Rousseau Chambertin are in an extremely comfortable position from business perspective.

They are not under pressure to produce a lot of wine because they can achieve their financial goals by doing the exact opposite. The price per bottle is so high that it actually favours them to produce less. The annual production is limited to only a few thousand bottles a year. As we know already, Burgundy is one of the regions that face the highest demand including wine enthusiasts based in Asia, United States and of course, Europe.

Demand by far exceeds the supply and thanks to this asymmetry, Armand Rousseau Chambertin is an extremely attractive wine to invest in.

12 Potential Risk Factors

Oversupply of wine
Wine is governed by the laws of supply and demand. It is possible that the supply will increase in future if the Domaine decides to do so. However, in over 100 years of history, they have been very conservative and successful while matching the supply with the demand and avoiding any reputational damage.

Additionally, the demand for Fine Wine has been increasing significantly both domestically and abroad, thanks to several emerging economies.

Legislation
Legislation is a significant risk that every investor must understand. There are some extreme examples in history such as American Prohibition in the 1920s where alcohol has been banned completely. Other more recent examples include various tariffs and quotas in international trade that can affect the exports and therefore the global demand.

Financial crisis
In the event of another recession, or even a larger financial crisis, it is possible that the demand for Fine Wine will drop. This would be caused by lower disposable incomes of potential wine consumers who would end up spending less money on luxury goods which in turn could decrease the prices. However, such a drop would be much smaller when compared to companies facing bankruptcy or losing half of their market value.

New consumer trends
It is also possible that the demand for wine could drop due to evolving consumer trends. Many young people actively choose not to drink alcohol and depending on the scale of this phenomenon, this could affect the future demand too and therefore drive the prices down.

However, currently the trend is developing in a more favourable direction. Young people drink less alcohol but of higher quality which in the end could have a positive effect on fine wine.

Other risks
It's impossible to list every single potential risk that exists in relation to this investment. Investors must understand that the above list includes only the main ones. Investors should always seek to verify all the information using multiple independent sources.