

BORDEAUX WINE AS A FINANCIAL INVESTMENT

by Lee Sanning, University of Wyoming

ABSTRACT:

For repeat transactions data from monthly auction hammer prices, we analyze the level and quality of Bordeaux wine returns using the Fama-French Three-Factor Model and the Capital Asset Pricing Model. Returns average up to 0.75% per month above those predicted by these models. Further, investment grade wines benefit from low exposure to market risk factors, thus offering a valuable dimension of portfolio diversification. These findings are consistent with simple theoretical considerations and support a documented growing interest in wine investments.