To date, the return to wine literature has focused on the question of whether or not wine represents a good stand alone investment. Generally, but not exclusively, the comparisons made show that the return to wine is lower than the return to standard financial assets and so authors have concluded that it is better to savour, rather than store, wine. However, regardless of whether or not the return to wine is higher or lower than other financial assets, if the return to wine is not strongly positively correlated with standard financial assets it is possible that including wine in an investment portfolio will provide a diversification benefit. In the following paper the repeat sales regression methodology is used to estimate the return to Australian wine, and a mean-variance spanning test is used to show that despite the return to wine being lower than standard financial assets, wine provides portfolio diversification gains. It is further shown that the diversification gain remains even after taking account of the high transaction costs associated with wine investment. Additionally, it is argued that due to the pricing practices used in Australia it is possible to use active portfolio management to generate higher returns. Although, it is noted that this benefit is likely to fade over time as pricing in the Australian market becomes more sophisticated.