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## Slump in export orders hits Asian factories

BEIJING - A factory slump in Asia's two biggest exporters China and Japan deepened in June as crumbling orders from abroad dragged activity to seven-month lows, heightening worries that the health of the global economy is deteriorating.

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12,880.09  
+2.20%

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85.56  
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0.00  
1,362.16  
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By Hugo Dixon

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PARIS | Tue Jun 12, 2012 7:22am EDT

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## (Reuters) - French asset management company Uzes Gestion recently toasted the launch of its Uzes Grands Crus wine fund created to lure investors with a thirst for fine wines and profits.

Similar funds exist outside of [France](#), but theirs is the first regulated by French authorities and likely will appeal to French and other investors. It also couldn't come at a better time. Investors weary of traditional equity funds have the option of an asset class that has proven resilient despite the current euro zone financial crisis.

"Wine has become something like a safe-haven investment," said Thierry Goddet, founder and president of Cavissima, which helps clients directly invest in fine wines. "With the debt crisis crippling financial markets, we've seen new investors flocking in, as they look for defensive investments."

The fund buys cases of wines from wine traders and stores them in a cave in Geneva before reselling them. It includes mostly the best quality wines - known to wine experts as the 'Premiers Crus', or 'first growth'. These are mythical Bordeaux wines such as Chateau Margaux and Chateau Mouton-Rothschild.

Uzes Gestion also plans to invest in less well-known and less-expensive wines, such as 'grands crus' from Burgundy, and other potential gems whose prices might skyrocket in the future.

### NOT A SURE THING

To be sure, wine and wine funds aren't risk-free despite the growing worldwide demand for high quality vintages. Commodities, insurance, storage, transportation and other costs could rise, and demand for wine drop if the economy worsens.

The fund is primarily for money managers, pension funds and qualified investors who understand the risks. Potential investors must have a personal portfolio of more than 500,000 euros (\$630,000) and regularly invest in financial markets.

The minimum investment is 30,000 euros (\$37,700) with a 12-month lock-in period. The fund charges steep penalties for withdrawing assets before five years. While French and most foreign investors can invest directly in the fund, Americans need to invest through a bank outside of the United States.

### GROWTH POTENTIAL

The bulk of the global wine trading occurs in London, where an index - the Livex 100 Fine Wine - tracks prices of the top wines, which are mostly French.

Although it just went through a rocky 12 months due to the bursting of a bubble on some wine prices inflated by Chinese speculation, the index is up 15 percent since the end of 2007, significantly outperforming a 46 percent drop over the same period by France's CAC 40 blue-chip index and an 11 percent decline by the Standard & Poors 500.

"Numerous studies have shown that great wines have, since 1950, consistently outperformed financial markets," said Jean-Marie Goddet, deputy CEO of Uzes Gestion, during a recent press conference.

"Even during moments of crisis, wine prices retreat less than those of financial markets. It's a cushion against the drop in financial markets", he said, citing recent academic research.

Currently, a 750 ml bottle of French 'grand cru' costs about \$130, but a number of bottles sell for well over \$1,300, such as the Petrus 2009, which sells for \$4,600 each.

"Prices have been rising by 12 percent a year over the last decade, and even if there were corrections like in 2008 and in 2011, they are usually followed by brisk recoveries," Thierry Goddet

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Analysts predict that the prices for 'grands crus' should continue to grow by about 12 percent a year because of its limited supply and growing popularity from emerging economies, such as [China](#), as well as strong demand in the United States and the United Kingdom.

The industry has its 'rating agencies' to rank the wines, while wine critics also play a huge role in setting prices.

The price for a case of 12 bottles of Chateau Smith Haut Lafitte 2009 almost tripled during the last few months, to more than \$2,400, after leading U.S. wine critic Robert Parker gave the wine a perfect score of 100.

Over the years, France's greatest wines have become luxury products, and a number of mythical vineyards are now owned by luxury goods makers, such as Cheval Blanc, owned by LVMH's Bernard Arnaud and Albert Frere, while Chateau Latour is owned by PPR's François Pinault.

"The 'grands crus' are controlled by people who know how to produce luxury goods. It's an art, which also requires very sophisticated technology," Thierry Goddet said.

But the industry is also victim of its own success, with counterfeit wines circulating in China, where for each real Lafite sold, five fake Lafite are also sold, Goddet said.

(\$1 = 0.7960 euros)

(Created by Paul Casciato)

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