

# Leftfield investments

The best time to invest in almost any asset is when there is negative sentiment and the asset is inexpensive, providing substantial upside potential when it returns to favour – here are a few out-of-the-box ideas

## FILMS

It may be a glamorous festival circuit, but things can quickly turn into a horror show.

A film investor has to scout talent, manage production costs and find the right distributor, but the hardest decision is to gauge taste. The private equity/hedge fund vehicle is the most common approach for direct investment in cinematic ventures, but the risks of such an enterprise can be substantial and are often better suited for the family office or institutional investor. All deals must be approached with trepidation and due diligence.

Films with an ambiguous narrative, a religious message or high-brow humour could be a hard sell with a typically narrow audience. Name recognition could vary, too, depending on where the film is targeting its release. After revenues are used to repay and profit share, there may not be much left.

As an asset class, film would appear to be uncorrelated to the other types of investments – they are austerity resistant; even in hard times, people still go to the movies or stream films.

There are plays in the movie industry itself, in the form of common shares. But individual investors need to understand where in the chain of production the companies lie and to what risks those companies are subjected to. For example, is the investment in a studio like Lionsgate (which almost

doubled its share price since the beginning of 2012), or distribution like Netflix or Coinstar?

## GOLD

From gold stocks to gold exchange-traded funds (ETFs) and buying physical gold, investors have several different options when it comes to investing in the transition metal in 2019. Its purpose, and whether investors should invest in it, are long-debated – and have been for several decades.

Some think that gold is an archaic relic that no longer holds monetary quality. In today's

economic climate, where paper currency is king, gold's only benefit is the fact that it is used in jewellery. Others believe it is an asset with myriad intrinsic qualities that make it unique



and essential for investors to retain in their portfolios.

Despite the fact that it no longer backs global currencies, gold is still important to the global economy. Central banks and other financial organisations, such as the International Monetary Fund hold approximately one-fifth of the world's supply of above-ground gold. In recent years, several central banks have added to ►

**Left: Gold can be a fine investment with a top advisor**  
**Below: Red carpet life looks fun, but there are myriad pitfalls**





their gold reserves, reflecting concerns about the long-term global economy. Indeed, it has successfully preserved wealth throughout a long line of generations. Investment options include futures, coins, companies, ETFs, mutual funds, bullion and jewellery.

Over the last decade, gold has underperformed compared to the S&P 500, but in the previous decade, it enjoyed a total price appreciation of 441.5% to the S&P 500 58%.

## WINE

The South Americans do not make wine to last. The Europeans do.

Euromonitor International Ltd. projects that while “key luxury players faced mounting risks in 2018,” the wine and Champagne category is set to increase by an estimated 7%. UK-based wine portfolio manager Cult Wines averaged appreciation of 13% annually over the last decade, with an index performance spike in 2016 to the tune of 26%.



Tom Gearing, co-founder of Cult Wines, said his 1,700-plus clients should hold on to their wine for at least three to seven years before trying to sell it. The management fees, 15% of the total investment value, are paid upfront and include storage, and sometimes insurance.

Look out for French premier crus (get them early), or first growth wines including Haut-Brion, Lafite-Rothschild, Latour, Margaux and Mouton Rothschild. But be aware that each chateau can also have secondary labels, which may not be as valuable as the first. Jamie Ritchie, worldwide head of Sotheby's Wine, reports that

a diversification has begun.

“Last year it was Bordeaux and Burgundy at 40% each,” he said.

“We've seen a huge, growing demand in Burgundy. Great Bordeaux is selling well, but there's actually too much of it.”

Portfolios typically hold 65% of their wines from Bordeaux and 15% from Burgundy. Wines from France's Rhone Valley, Italy and even California follow, but bottles from Napa Valley or other locales in the Golden State are a tiny fraction of what's traded. To many investors, California winemaking history is still considered young. You can also invest in wines while it's still in

barrels (the en primeur market) but that's a super-risky business.

## THOROUGHBREDS

When considering the purchase of a thoroughbred racehorse, it is always important to remember that one of the main challenges in racing is that price doesn't always guarantee success.

Thoroughbred racehorse ownership gives you the chance to become a part of the racing lifestyle, filled with colourful characters, horse lovers and racing fans from all walks of life – but a broken leg can scupper millions of dollars in an instant.

One good option to hedge your bets is in a syndicate where one can take a share of as little as 5%. That is a reasonably inexpensive way to entitle a stakeholder to have their name in the racebook and allocated owner's tickets when the horse is racing.

The syndicator will normally have one or more preferred trainers. You can choose a horse trainer that is based locally in your area, or you may have a favourite thoroughbred racehorse trainer that is based elsewhere.

Be sure to consider training and ongoing costs such as equipment, race track fees, farrier, dentist, chiropractor/physiotherapist, staff attendance, vet attendance, worming, wound treatment, blood tests, medications, transport, costs for paddocks and registration fees. All being said, it's excellent fun to share with friends and family – and to host clients. Giddy up! ■

**Pictures: Wine and horses make fantastic investments – especially for entertaining guests, but there is a lot more to think about than glasswear, tall hats and fascinators**