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The Rate of Return on Investment in Wine

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Abstract

Is wine an investment alternative to stocks and bonds? First, we review prior studies regarding the pecuniary rate of return to wine and other alternatives to financial assets. Next, we calculate the rate of return to holding red Bordeaux wine from 1986 to 1996 using a repeat-sale regression. Finally, we contrast the financial performance of wine, both on an aggregate basis and for various portfolios, to that of other asset classes. We conclude that wine does not yield greater returns than financial assets, especially when the volatility of returns and transaction costs are taken into account.

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