



DECEMBER 2017

SUMMARY

It's December already, where has 2017 gone?

This year has been a positive catalyst for WMG's Collectable Car Fund as AUM continued to grow, and investors joined from ever far reaching regions.

This has been achieved against a well-publicized car market headwind which in tangible terms has seen certain sectors fall by up to 25%.

As we touched on in the October edition newsletter, exceptional cars have continued to decouple changing hands quietly under the radar and certainly not through auctions, but even the best blue-chip cars have seen a gradual decline in overall sales against rising prices.

Also this last quarter of 2017 has seen a change in sentiment in that the number of owners who believe the values of their cars are still increasing have in fact started to fall. This may be what asset class deflation looks like.

Talk of normalization, price plateaus and buying opportunities we've observed recently lead to a more positive sentiment into 2018.

DEAR SANTA...STRONG MARKET IN MY STOCKING PLEASE

'Tis the Season of giving, receiving and goodwill

Being specialists in exotic automobiles, we often get asked what cars would be on our Christmas list - *budget permitting*. Well budget aside for a minute, the answer is simple; anything that returns a 20% IRR for the next 3 to 5 years.

Choosing these cars is considered the holy grail of our talents as car fund portfolio managers. Given 2017 will be remembered as a buyer's year, choosing the right car at what may look like a good price, can often be described as a falling knife. We've seen a hearty decoupling of the good and the great as we discussed in our October 2017 newsletter. The good have fallen 10-15% from the dizzy heights of late 2015, seductively looking like bargains as prices correct, but the great, often exceptional quality cars are still moving without too much hesitation. Nobody would really blame investors for sitting on their hands awaiting more attractive pricing, but in simple terms confirms they're probably investing in the wrong cars.

Nothing has been more evident of the slowdown than the auctions of November 2017. As an investment banker in my previous life I tend to try to identify trends. 2017's often turbulent pattern of auction sales and sell through rates (STR) makes me think of bottoms, double bottoms – a technical analysis term normally associated with a more bullish trend reversal as illustrated below.



Evidence of the second bottom can be seen in recent sell through rates (STR) in Oct/Nov, recovering in late Nov early Dec towards the neckline.

Bonham's Padua Oct 17 STR **48%**

Bonham's London Dec 17 STR **59%** (vs 57% in 2016)

RM New York Dec 17 STR **78%** (vs 68% in 2015)

In conclusion the peak to trough decline of 15% seen between September 15 and August 17 compares closely to the 16% fall seen during the financial crisis. Given a recent wave of more bullish data, WMG continues to feel more positive towards the final month of 2017 which should translate into a stronger start to 2018.

FIVE QUESTIONS TO ADRIAN SUTIL

December's Special Guest - Formula 1 Driver/Collector Adrian Sutil

Adrian Sutil is a German Formula One racing driver who started his racing career in karts at 14. He most recently drove with the **Sauber F1** team but has also driven with, **Spyker F1**, 4 fruitful seasons with **Force India** and as a first reserve driver for **Williams F1**. Adrian is also a passionate collector of exotic automobiles with an enviable collection of valuable, ultra-rare super cars.

1. What is your favourite decade of cars and why?

"I really like the early 2000 models. The cars are very exciting and the technology in that time was quite advanced. Nevertheless the cars were still very raw and you felt very connected to the car. Cars like the **Ferrari Enzo** with a very unique design or the **Pagani Zonda F** which already became a legend of this era are just a few to mention. The biggest impact in my opinion of nowadays super cars created is the **Bugatti Veyron**, one of my personal favorites. This car took all the limits to a different level. 1001 BHP, 16 cylinders, 8 Liter engine, over 400 Kph top speed, 1 Mio €! With a wonderful timeless design the car stands out for quality and craftsmanship but also for speed and sportiness. I like the fact that you can use it almost as an everyday car. It's smooth and reliable and if you own a GrandSport you can enjoy the wind and the amazing sound of the quad turbos breathing behind your back even more. In terms of quality the Veyron was many years ahead of all other competitors. Especially the official special editions are pieces of timeless art. My ultimate favorites: Les Legends Editions. 6 different designs, 3 cars each. Very collectible and very rare. Something which has to be in every super car collection in the future."

2. What was the first car you ever owned, how long did you own it?

"My first car I owned was an Audi RS4. I owned it for a few years and was very proud of the car."

3. If you could have any car in your collection, what would it be?

"It is impossible to name just one car. If you have the possibility you would want to own at least one car of every decade".

4. Is there a car that you feel is significantly undervalued or under-loved currently – such as the F50 was?

"I think the Porsche Carrera GT is still a bit undervalued. It's a very emotional car. The sound of the V10 engine is amazing and to drive it is always an excitement. It's probably one of the cheapest super cars on the market."

5. Referring to Porsche, manual or PDK and why? And turbo or normally aspirated and why?

"I like the manual gearbox cars. Probably a bit more technical and fun to drive. I generally like Turbo Porsche. It depends where you want to drive it. I always enjoyed the GT2 RS. Back in the years I drove it as an everyday car. It was unbreakable and very quick".

Bonus question – Do you think the Hybrid Hyper cars will be highly valued in the future remembered for a time when cars had 2 motors, or are they just the conduit from internal combustion to electric motor?

"The modern hybrid cars are just a new technology which stands out for this era. It might be a bit more complicated to store the cars correctly but they definitely belong to the series. This is why the hybrid cars are also worth collecting which is a clear sign for a climbing value".



Hedge Magazine Article Dec 17

We met with the industry focused Hedge Magazine recently to discuss all things WMG Classic and Collectable Cars.

The article can be downloaded and viewed by following this link.

<https://issuu.com/squareupmedia>



Ferrari Authorise 48 New Classic Workshops

Ferrari nominated 48 garages as authorized Classic workshops 9 of which are located in the UK.

Koenigsegg Smashes Records

The Koenigsegg Agera RS has laid down the gauntlet to rivals Bugatti by setting a new world record for the fastest production car at an astonishing 277.9mph on an 11 mile stretch of Nevada highway.

The roads were closed of course.

DRIVEN – PORSCHE GT2 RS

Porsche's Collectable 211mph Track Ready Road Car

We were lucky enough to have driven a couple of miles in the new Porsche 991.2 GT2 RS recently, and can report that the car is nothing less than incredible. The car made the headlines recently travelling an entire lap of the revered Nurburgring Circuit in a record setting 6:47.3s shaving a whole 18 seconds off Porsche's own personal best time. Despite the McLaren P1 officially holding the record of 6:43, it's not a series production car like the GT2 RS so purists argue they are not to be compared.

So the handful of miles we managed to negotiate whilst visiting Porsche recently wasn't enough to stretch the cars toes, let alone the legs, but was a mere taste of what the car is capable of. Styling-



wise it looks [like all 911's] similar to its predecessor, but suddenly there are stylish gaping holes in the bodywork, splitters and spoilers; testament to how much air this beast gulps and utilises. Versus the GT3 RS, the new 7 speed PDK gearbox feels much better geared. Racing drivers by default prefer a manual gearbox, but the new 7 speed PDK seems very-well suited to the 700bhp 3.8 bi-turbo charge cooled engine. The delivery of torque never leaves one feeling you've selected the wrong cog. That's also partly to do with how nimble the car feels now thanks largely to the use of lightweight materials. It accelerates so fast to 62mph [2.8s], that in manual guise, we as humans would simply slow the car down.

Like all German sports cars, particularly, Porsche attention to detail is exemplary. Seats are clad in high grip, figure-hugging alcantara, the grey model we drove fitted with race car 4 point harnesses. Even for a lofty 190cm driver, the car is comfortable to drive. Comfort = confidence = quick driving. For a rear wheel drive only car with 700bhp it has surprising amounts of rear grip – *in the dry*. Turn in is so sharp it rewards precision, but like all 911's, it requires a different style of driving to get weight over the front wheels. I won't mention the aid of rear steering giving a predictable feeling of rotation into a corner as I am normally not a fan, but the Porsche system is incredibly good and goes largely unnoticed.

A characteristic of the new bi-turbo 3.8 engine is the deep bass line thrown from the exhausts. Even on tick over one is aware of being in the presence of a throatier sound

Without a doubt the 991.2 GT2 RS scores highly on the WMG scale of collectable cars. However, with no quoted production cap it's difficult to predict future pricing. With prices for Weissach optioned build slots currently trading around £470k, finding one is the issue. For those that can secure an early car, bragging rights of owning Porsche's fastest ever 911 are well and truly granted.

WMG Presents at Lordes' Launch in Guernsey.

During November luxury car storage specialists Lordes opened their doors to a packed audience at the Old Government House in Guernsey. WMG's Richard Hawken was invited as a guest to speak about collectable cars as an emerging asset class, but also how important that as custodians of fine automobiles, the correct storage facilities should be the top of any list when selecting a storage facility.

With space for 110 cars, the Lordes facility offers a high level blue-chip service in temperature and climate controlled environment, state-of-the art security and 24/7 surveillance.

Chairman of the Lordes facility Karen Lewis says *"Guernsey was the obvious choice for us as a brand as the island is recognized world-wide for its discretion and professionalism"*.

Full detail on Lordes and the launch evening can be seen via the link below.

<http://www.lordes.gg/index.htm>

FERRARI 348 OR IS £30K MORE FOR THE 355 WORTH IT?

A nice 348 appeals to many Ferrari fans for its near Testarossa styling, a lusted after poster car of the 1980's. But is it a better car to own than a later 355?

Ferrari 348 TB (Trasversale Berlinetta) 200 UK cars remaining

On launch the 348 was seen as a game changer for Ferrari, as the engine in previous cars mounted transversely was rotated through 90 degrees to sit longitudinally, freeing up room for trick exhausts and new Motronic powered intakes. However, it was bold move leading to some unreliability and costly repair bills for owners which lead to the cars lack of popularity.

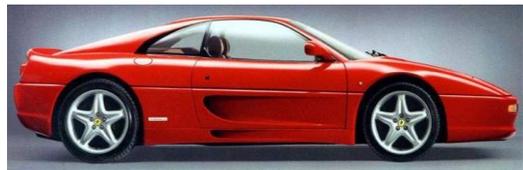
However, if you've not driven many mid-engined Ferraris, the 348 is fantastic value for money. A good decent car is available for around £50k, so conceivably as an investment



the next 3 to 5 years could return you 50 to 60 per cent. The 348 has not been subject to costly restorations yet meaning there are a significant amount of average to under-average cars around. Prices will remain firm for the best in class, low mileage/owner cars.

Ferrari 355 500 UK cars remaining

The car that saved Ferrari (apparently). After Enzo's unfortunatel passing in 1988, Fiat took a 90% stake in Ferrari and placed Luca di Montezemolo as Chairman.



His task was simple, build a Ferrari that people want to own.

The 355 was built on the same architecture as the 348, which can seen visually, but the car was reengineered in almost every way. The engine went to a 3496cc 5 valve V8 with an 11:1 compression ratio, achievable by using forged F1 style pistons. Redline was upped to 8250rpm and output was recorded at 380bhp making it at the time the most powerful naturally aspirated engine per litre.

The chassis was tweaked with far superior double wishbone suspension, with electronically controlled dampers. Aero additions were derived from F1 to give the car a negative lift coefficient. The advent of PAS in the 355, [a first for Ferrari] helped cement the reputation the car was much more driveable than any of it predecessors. Proof was in the pudding as the 355 was a whole second quicker to 62 and 7 seconds quicker around Fiorano than the 348.

So they're both great cars. With 200 348's and 500 355 [UK RHD cars] rarity of the the 348 might make it outperform long term, but the technological advancement, the fame [Goldeneye 1995] and the pure driver reward the car offers might just help justify the £30k differential. The car of choice however should be the 6 speed manual avoiding the somewhat lazy by today's standard auto shifters.