

# VITICULT



## Market Statistics

For the last 10 years the Whisky Cask Market has yielded an average return of 12% per annum. The market has moved from the margins into the mainstream due to this consistent performance.

At the end of 2019 Knight Frank published their annual "Luxury Investment Index". It reported that the Whisky Market rose 40% throughout the year, and over 580% over the last decade, making it the top performing asset class.

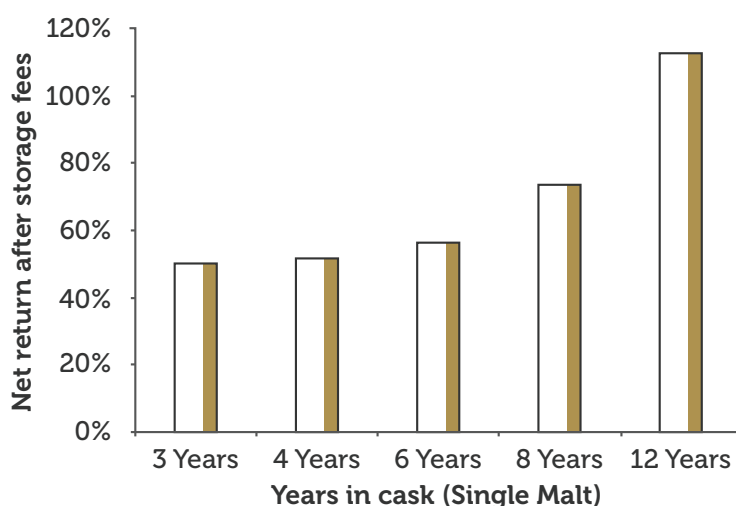
According to research published by Lloyds Private Bank in 2019, 88% of their whisky investors were satisfied with the market's performance.

The Single Malt Whisky Fund launched on the Nordic Stock Exchange late 2019. It is on course to raise €25 Million. The minimum investment is €100,000 and it aims to project an investment return of 10% per annum.

Over the period from December 2014 to June 2019, the Apex 1000 Index, which tracks the best performing rare whiskies rose by 162%, considerably outperforming the FTSE 100 (13%), Brent Crude (11%) and Gold (19%).

In November 2019 Bonhams Auction House in Hong Kong set a new record for a cask of Whisky. A 30 year old cask of Macallan sold for over £440,000. It is believed this cask was originally purchased for a few thousand pounds.

The whisky boom is by no means limited to the Asian markets. In London, Sotheby's held their first whisky only auction which netted £7.6 Million in revenue.

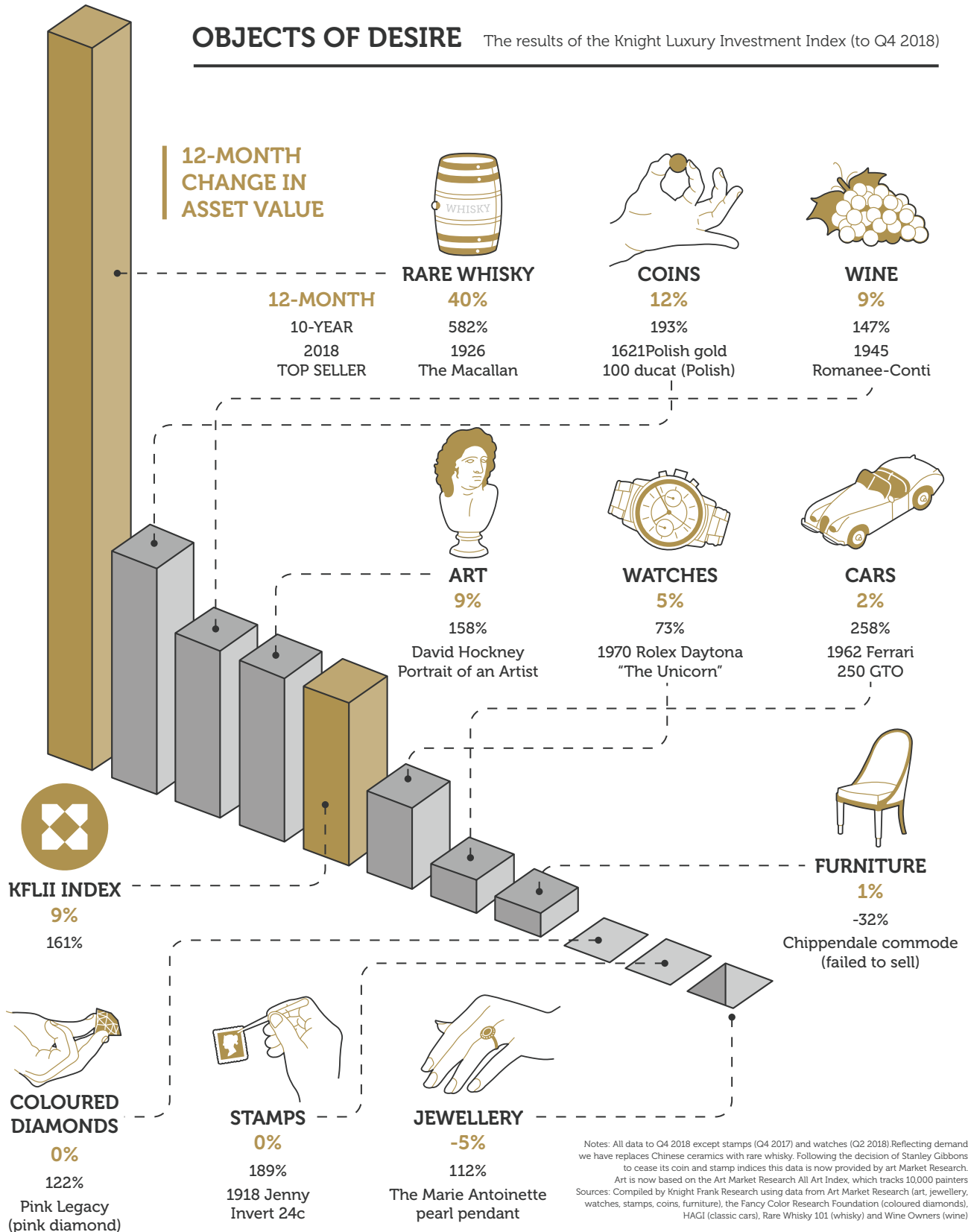




# Market Statistics

## OBJECTS OF DESIRE

The results of the Knight Luxury Investment Index (to Q4 2018)



# Whisky Ownership

## Summary

Whisky only matures when stored in an oak cask. Once bottled, maturity halts and the whisky remains unchanged. The 'age statement' on a bottle of whisky represents the amount of time it was matured in an oak cask. The longer a whisky is matured, the better, and more expensive it becomes.



This means that a whisky distillery's capital is tied up in vast amounts of maturing casks, which they will see no return on until they're bottled. For example, to produce an 18 year old whisky, the cask was matured for 18 years before being bottled. Only at the point of bottling will a distillery see their profit. This is why distilleries work with brokers like Viticult who assist them in generating capital.

We sell casks to our clients who will bed them down for a minimum 5 year term. During this term a cask matures, and each year of maturity represents a step up in value.

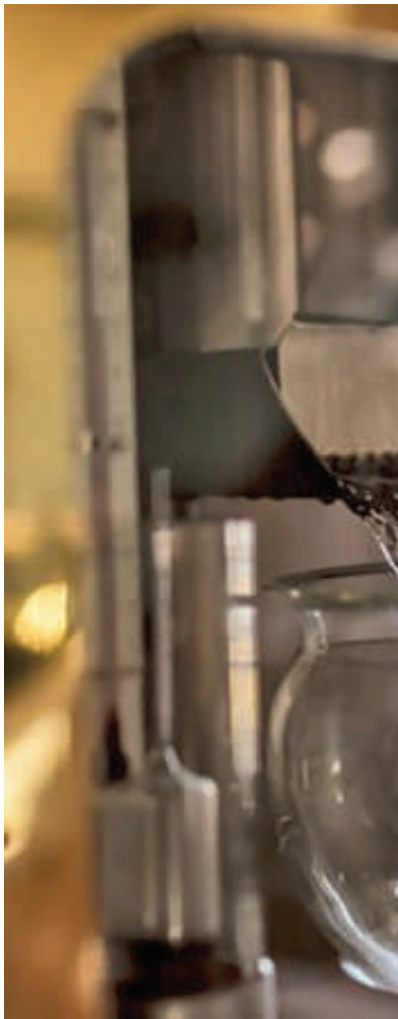
5 years later, or longer depending on a customer's strategy, we sell the cask(s) back to distilleries through our network, who will use them for bottling.

One thing you can be sure about when it comes to Whisky Cask Ownership is that a mature cask that's ready for bottling, is valued far greater than a cask that isn't ready for bottling. It is this simple science which makes Whisky Cask Ownership so appealing.

# Whisky Cask Ownership Journey

## Step One - Purchase

The journey begins with the purchase of a cask from a renowned Scottish Distillery.



A “new fill” cask contains the liquor which will eventually mature into a Scotch Whisky. At this stage the contents of a cask is as clear as water and extremely high in alcohol content. Because it has not matured yet it is not classed as a Scotch Whisky which makes this the lowest price point of a cask.

# Whisky Cask Ownership Journey

## Step Two - Maturation

During the maturation process a cask will go through notable changes. The clear liquor will slowly absorb the colours from the oak cask it is stored in, overtime completely changing its appearance.

The “angels” will begin to take their share. Around 2% of the spirit will be lost to evaporation each year. Put simply, the older a cask is, the less whisky there is to be bottled. This explains why older bottled whiskies are significantly more expensive.



## Step Three - Realisation of Capital

5 years later, a cask which contained the raw materials has matured into a consumable Scotch Whisky and is ready for bottling. For a whisky to be deemed a Scotch, it must be distilled and matured entirely within Scotland.

When the time comes to sell, we offer casks to Distilleries for bottling through our network. Often, the producer of a cask will insist on first refusal on buying a cask back. This puts our customers in a strong position from the get go.

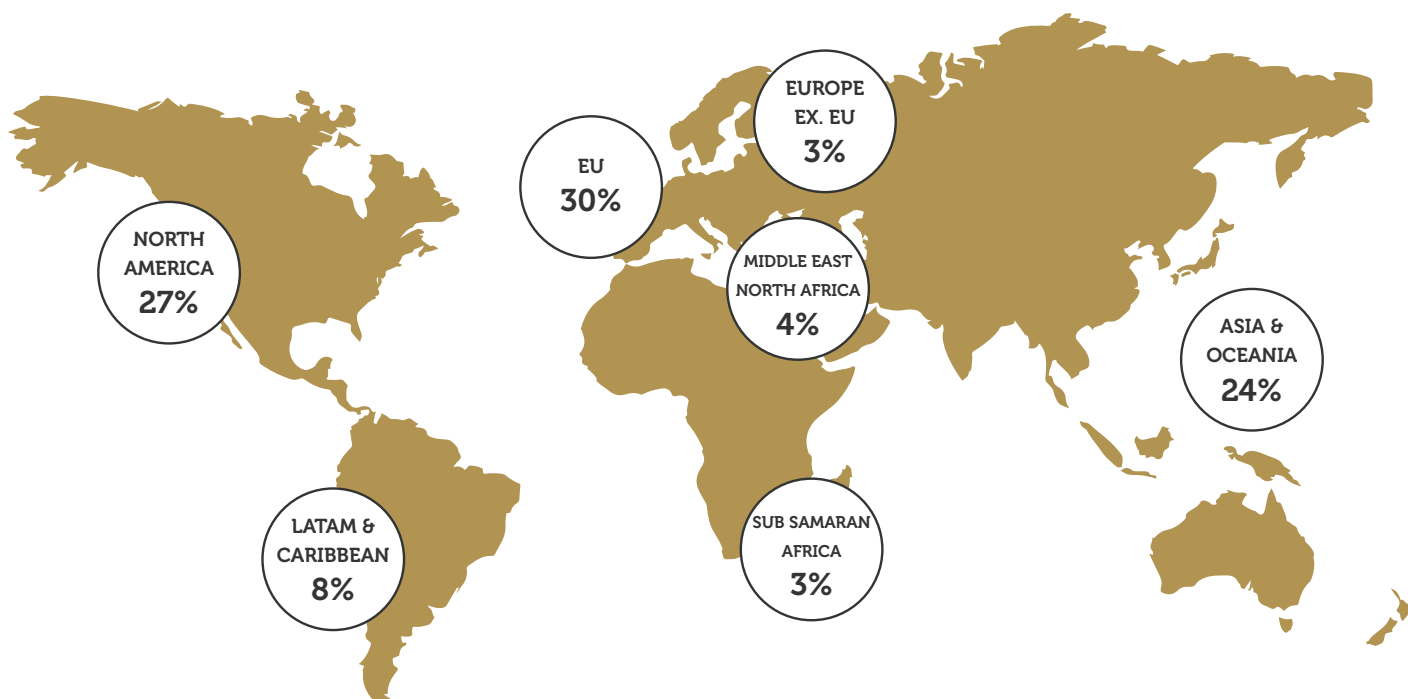
# Scotch Whisky

## Economic Figures

Scotch Whisky is the most traded spirit internationally. It is worth £5 Billion to the British economy and makes up 21% of all UK food and drink exports. In value Scotch Whisky is bigger than the UK's iron/steel, textiles, shipbuilding, or computer industries. It is around half the size of the UK's pharmaceuticals or aerospace industries and is one third the size of the entire UK car industry. It is big business!

## Supply and Demand

GLOBAL REGION MARKET SHARE BY VALUE



**41**  
BOTTLES OF  
SCOTCH  
WHISKY  
ARE EXPORTED  
EVERY SECOND

# Scotch Whisky

## Economic Figures

97% of all the whisky Scotland produces is exported abroad. This equates to 1.2 billion bottles, and demand is constantly rising. But Scotland's output is already running at full capacity. This is because the amount of whisky a distillery is able to produce is tied directly to how many Copper Stills it has in operation.



Each distillery's Copper Stills are unique to them, and produce characteristics within a whisky which becomes a distillery's identity. For example, one of oldest Copper Stills in operation belongs to the Bowmore Distillery. It has been in operation since 1779. If they change their Copper Still, they would be changing the 241 year old identity of their whisky. They would be unable to produce the whisky their consumers have come to expect.

The science of why different Copper Stills produce identifiable characteristics is not fully understood. Although it is widely accepted that shape and size play a significant role.



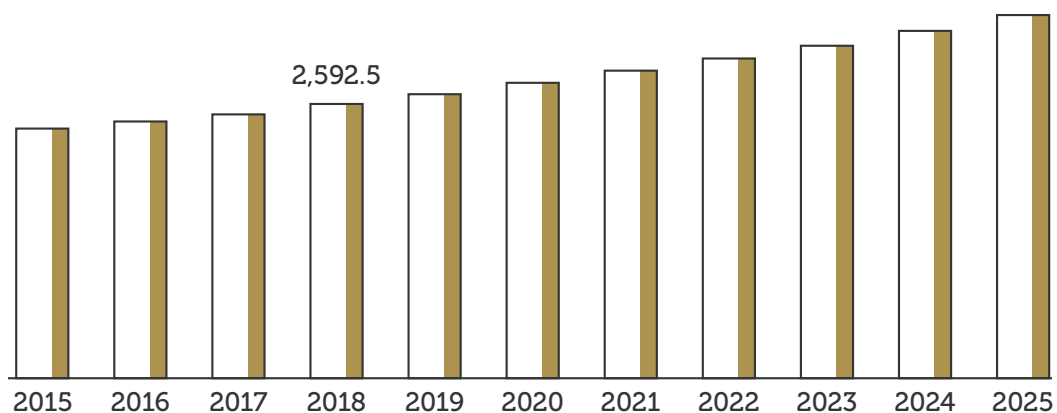
# Scotch Whisky

## Economic Figures

### The Future of the Scotch Whisky Market

The future of the Scotch Whisky Market looks very promising. The market is predicted to continue to rise over the next 5 years, as it has done historically. This growth is fuelled by changing lifestyles, high disposable incomes and an increasingly global demand for premium Scotch Whisky. The chart below summarises the growth of the Single Malt Whisky Market in the United States between 2015 and the present day, as well as providing a prediction into the market's future.

**Global Single Malt Whisky Market 2015-2025 (USD Million)**

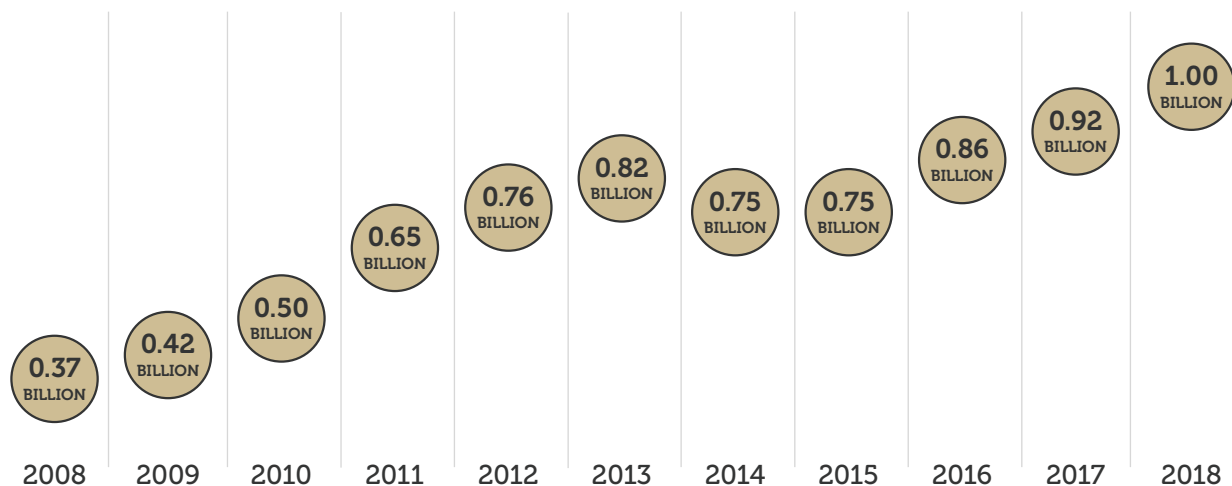


Source: Adroit Market Research Analysis, © 2019











Analysis by the UK government in 2019 concluded that Scotch Whisky exports to the US was the most valuable single market, generating over £1 Billion in revenue, a 12% increase on the previous year. Europe is the largest consumer of Scotch Whisky, generating £1.4 Billion in revenue.

# Scotch Whisky Economic Figures











Billion Pound Market: Scotch Whisky exports to the USA



TOP 10 MARKETS BY VALUE

	UNITED STATES £ 1,040M	△ 12.8%
	FRANCE £ 442M	△ 2.0%
	SINGAPORE £ 320M	△ 10.0%
	GERMANY £ 174M	▽ 5.3%
	SPAIN £ 170M	▽ 2.6%
	TAIWAN £ 168M	△ 5.0%
	U.A.E. £ 147M	△ 13.2%
	INDIA £ 139M	△ 34.1%
	MEXICO £ 132M	△ 18.5%
	LATVIA £ 130M	△ 7.9%

TOP 10 MARKETS BY VOLUME

5.3% △	FRANCE 188M 70cl bottles	
7.4% △	UNITED STATES 137M 70cl bottles	
25.9% △	INDIA 113M 70cl bottles	
11.9% △	MEXICO 60M 70cl bottles	
9.5% ▽	SPAIN 55M 70cl bottles	
49.5% △	JAPAN 50M 70cl bottles	
18.3% ▽	GERMANY 46M 70cl bottles	
4.5% ▽	SINGAPORE 45M 70cl bottles	
19.5% ▽	SOUTH AFRICA 42M 70cl bottles	
7.5% △	BRAZIL 39M 70cl bottles	

The FTSE 100 listed company Diageo, the world's largest producer of spirits who owns brands such as Johnny Walker, have seen sales of Scotch Whisky jump by over 50% in the past five years.

# The difference between a Single Malt and Blended Whisky

## What is a Single Malt Whisky?

Put simply, "Single" means it is the product of one distillery, and "Malt" is the malted barley which is used to produce a Single Malt Whisky. By law, a distillery can only produce a single malt whisky by producing it entirely on their grounds using 100% malted barley.

Single Malt Whisky is more expensive than Blended Whisky. This is due to two factors: the cost of production and the amount of time it takes to mature. Barley is more expensive than the grains which are used to produce Blended Whiskies. Age is another factor. It is not uncommon to see bottles of Single Malt Whiskies which are 12, 15 or 18 years old.

The age statement represents the amount of time a whisky has matured in a cask. The more mature a Single Malt Cask is the more expensive it becomes, as it has significantly improved in quality. There are fewer aged casks available for bottling which makes them more expensive. Older casks have experienced more evaporation meaning there is less whisky available in a cask for bottling, creating a supply and demand dynamic.



# The difference between a Single Malt and Blended Whisky

## What is a Blended Whisky?

A Blended Whisky is a combination of Single Malt and Grain Whiskies. By Law, all blended Whisky must contain at least 15% Single Malt. The grains which are used to produce blended whiskies are cheaper than barley which is used to produce Single Malts.



Blended whiskies are not aged for as long as Single Malts. Scotch Whisky must be aged for a minimum of 3 years to legally classed a Scotch. Because blends are not aged for as long as Single Malts there are more casks readily available for bottling making them cheaper to produce and purchase.

For example, Johnny Walker Blue Label (pictured) is a blend of over 40 different whiskies.

We only advise on the ownership of Single Malt Whisky Casks. This is because they're more desirable for bottling and command far higher prices. Their role in the Blended market is also integral. This allows the resale of casks to both the Single Malt and Blended market.



## About Viticult

We advise our clients on the Ownership of Whisky and Fine Wine. Our clients are able to draw on our staff's decades of experience within these sectors to offer accurate advice. Since our establishment we have overseen the combined purchase and sale of over 140,000 bottles of wine and whisky casks. If you own an existing fine wine or whisky portfolio, we would be happy to assist you in the management or sale of your items.






### AFC WIMBLEDON



We are proud Hospitality Sponsors of AFC Wimbledon Football Club who compete in the Sky Bet League One.

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The whisky market in the UK is not subject to regulation of the Financial Conduct Authority. We advise all clients to seek tax advice from an authorised tax advisor. The value of Whisky Casks can go up as well as down.