



Riverside
WHISKY PARTNERS

THE WONDERFUL WORLD of
WHISKY

REVIEWING WHISKY CASK SALES :
over the last 5 years



www.riversidewhiskypartners.com



“Whisky is liquid sunshine.”

- George Bernard Shaw

We believe the best policy is: let the liquid sunshine speak for itself; giving clients' an unbiased, informative and useful guide, in a simple and concise format, that provides the facts and figures, so they can make an educated decision of the market for themselves.

Table of Contents

04	MARKET OVERVIEW
05	THE MILLENNIAL TOP INVESTMENT CHOICES
06	WHY CHOOSE WHISKY?
08	APPRECIATING VALUE OVER TIME
10	THE WHISKY MARKETS
11	GROWTH IN THE WHISKY CASK INDEX
12	STEADY AND STABLE GROWTH
13	AVERAGE ANNUAL CAPITAL GROWTH OF 13.09%
14	THE LEAGUE TABLE OF DISTILLERIES BY SALES
15	THE LEAGUE TABLE OF DISTILLERIES BY GROWTH
16	YOUNGER CASKS FAVOURING HIGHER RETURNS
17	LOOKING FORWARD INTO THE FUTURE



MARKET OVERVIEW

Points of Note

- In 2020, an independent whisky investment analysts created a Whisky Cask Index that demonstrates an average annual growth of 13.09% and a steady upward trajectory throughout the first half of 2020 which is a significant increase, especially in times of global economic uncertainty.
- In this analysis the top 10 distilleries were predicted to achieve annual returns of between 13-20%. This translates to projections for cask investment from these select and renowned distilleries and indicates an investment is likely to double over the course of five years.
- At top of the Distillery League Table for Casks in 2020 was Laphroaig in Scotland, which achieved an average of 19.88% projected annual capital growth, followed by Bunnahabhain and Staoisha. It was also notable that every distillery in the index was projected to achieve positive capital growth.
- The study also revealed that casks accelerate in value greater during their younger years, however, when compared to actual monetary returns per cask, greater percentage increases are observed during latter stages of maturation as the whisky naturally ages.
- It is also important to consider the expressions and finishes of a whisky. Ex-sherry casks were shown to be more valuable than ex-bourbon casks containing whisky of the same age, whilst aged grain whisky appeared to be an under-valued asset.

Blended Malts

Whisky made from various whole grains rather than a single malt.

THE MILLENNIAL TOP INVESTMENT CHOICES

Where would you most likely invest your money?

Although Cryptocurrencies headline the media, 'particularly the most notorious, Bitcoin', have been touted by their disciples as the new safe-haven alternative to gold since 2014. Over 2020, the value of Bitcoin rose by more than 300%, breaking the US \$40,000 mark for the first time in early January. This, however, was followed by a fall of US \$10,000 in a matter of days, highlighting its volatility.

Courtesy of: Knight Frank Wealth Report

Without doubt the global investment landscape has changed dramatically in recent years, with the general public now having a greater ability and access to take trading into their own hands to invest and trade in a range of commodities through online platforms, brokers, and investment advisors.



Technology has led the way in a virtual environment to allow people to discover new and interesting markets which have previously not been accessible and therefore have remained largely unexplored. This being said, 2020 has also demonstrated the global volatility of stock markets and poor returns on extremely low interest rates, driving them to discover ways to diversify their asset portfolios.

Interestingly, a study in August 2020 of almost two thousand randomly sampled participants aged from 24 - 39, nearly one in three participants identified whisky as the asset they were most likely to invest in this year, rising far above other luxury commodities and assets.

Bonded Warehouse

A HMRC secure storage facility
where whisky is held while maturing.

Why Choose Whisky?



Stability with Exceptional Returns

With exceptional returns in recent years (between 13-20% per annum), a better question might be, 'why not whisky?'

Unlike many single market dependent assets that are strongly linked to local or national economies the adoption of a detached tangible asset class soft commodity begins to make real sense. This is particularly relevant with Scotch whisky as it trades on an international market and follows the wealth and success of economies as they move around the globe, and remains largely independent from financial or political attachment and reactional correlation.

Should you remain uncertain about adding whisky to your investment portfolio, the principle reasons to invest are not indifferent to investing in fine wine. Firstly, like fine wine, whisky demand outstrips supply of a finite stock. In addition, whisky that is collectible is also in increased demand for consumers, so a substantial proportion of any limited-edition bottling will swiftly become more limited as it is consumed by dedicated whisky lovers.



Duty

A tax paid when taking a cask out of a bonded warehouse for bottling and selling into the retail market

Litres of Pure Alcohol (LPA)

The measure of the alcoholic content of a spirit. e.g. a 250 litre cask of whisky at a strength of 60% contains 150 LPA



Market Performance

In the last year, there was an extraordinary increase of 40% on rare whisky bottle values, ensuring it outperformed the established alternative asset investments such as watches, art, and cars. In the last couple of years, we have witnessed some incredible whisky sales, including the following: An individual bottle of Macallan 1926 broke records at auction, selling for £1.5 million. In 2018, over £40.7m of rare whisky was sold at auction houses in the UK alone. A cask of Macallan distilled in 1989 sold for \$572,000 last year – a record price for a maturing cask of whisky.

Historically, Scotch whisky has consistently delivered average returns of 12% a year and has been approved by several Self-Invested Personal Pension Schemes. Proving its mettle as an alternative investment that should not be overlooked as whisky creates great diversity within a stable market globally without the loss of any performance over time.

Key performance indicators of the secondary market show Scottish whisky is the focus of each auction according to Bonhams. Although these auction sales will include whisky from Japan, Ireland, and America, the main focus remains on old and very rare-blended whisky, commemorative bottlings of both blended and single malts which are always in very high demand. Limited editions also feature heavily alongside rare releases of single malts from distilleries such as Ardbeg, Bowmore, Balvenie, Dallas Dhu, Dalmore, Glen Grant, Glen Moray, Glenmorangie, Glenfarclas, Glenfiddich, Glenlivet, Glenturret, Highland Park, Knockando, Lagavulin, Laphroaig, Linkwood, Longrow, The Macallan, Mortlach, Port Ellen, Rosebank, Springbank and Talisker.

Appreciating Value with Time

Whisky is bottled after a period of maturation in oak barrels. Legally, this is a minimum of 3 years, but in practice, most whiskies are matured for a minimum of 8 years in order for them to develop their character.

Distilleries will usually have a 'house style' represented by a mass produced bottling of a relatively young malt (such as Glenmorangie's popular 10 year old). But they will also have older whisky maturing at the distillery, which they can also bottle under older expressions such as a 15 or 21 year old.

Whisky in the cask enjoys a unique driver of its appreciation: over time the whisky draws an enhanced flavour profile from the cask, softening and maturing as time goes on, and increasing its value naturally.

Furthermore, truly living up to the name 'liquid asset', casks of whisky at mature ages are bottled and drunk over time, reducing the number available in the market at an advanced age.

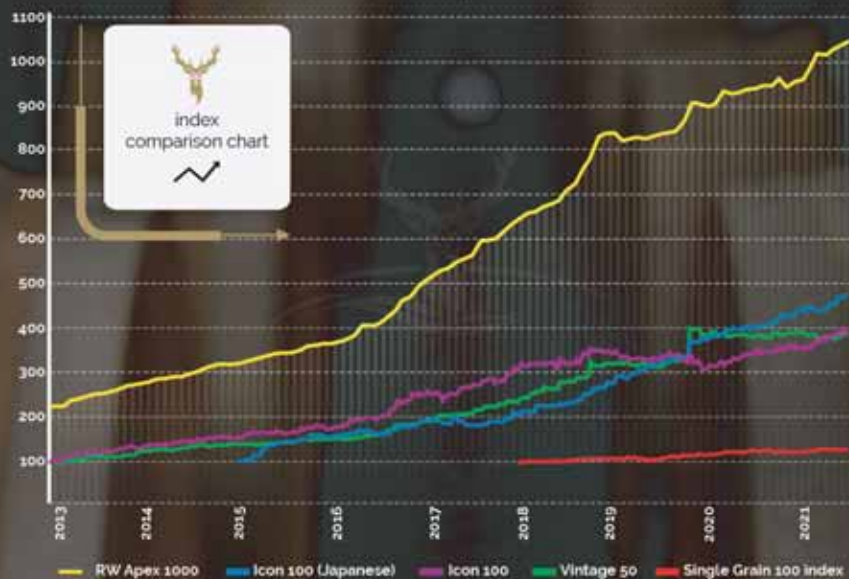
This is represented clearly in the data, which shows unequivocal correlation between the price of the cask and the age statement of the whisky itself, with an especially sharp increase in value for the casks over the age of 20 years. This graph is generated from observing the total cask sales since 2015.



The Rare Whisky Investors index shows the distilleries which are performing the best as an investment.



A single chart that illustrates all of major market performance indices.



• Malt Whisky

A whisky produced solely from malted barley, yeast and water – and yes, whisky is essentially distilled beer.

The Whisky Markets

It has been very common in recent decades that casks of whisky have been traded between distillers and independent bottlers, however the potential for private collectors has only recently begun to be explored and optimised. This has therefore meant that investors have access to a market teeming with untapped potential which has yet to be fully explored.

Analysts have therefore gradually been able to develop a data modelling algorithm for the whisky cask market. This enables both investors and enthusiasts to have an in-depth knowledge of the industry as it develops over time.



Utilising sales data from the past five years, analysts have been able to develop capital growth projections for whisky casks across different jurisdictions, distilleries, length of maturation and cask types.

The data has been collated from across the globe, with traditional cask sales occurring in newer territories throughout Asia and Australia, as well as in Europe and America, which have a larger number for purchases from online auctions.

This information can provide a variety of predictions about the future of the whisky market, and hence allowing interpretation of the market as a whole. Elite Wine & Whisky believe it is extremely important to educate investors and hence this algorithm is important tool in understanding how the future of the whisky market is set to develop.

New Make Spirit

The clear, potent spirit before it's been cask matured for at least three years.

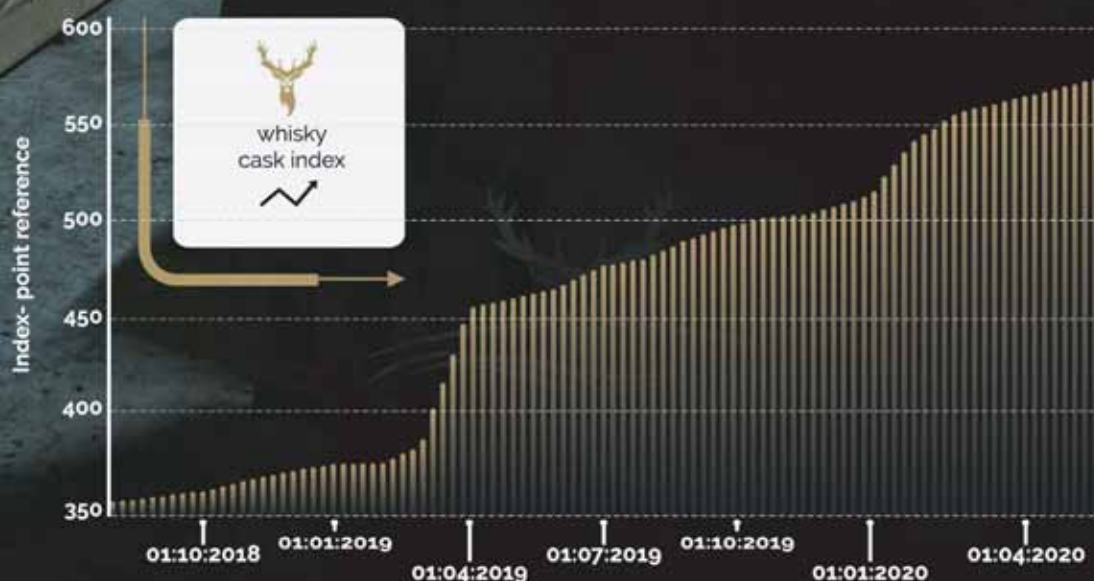
Growth in the Whisky Cask Index

Comparisons are made between the whisky cask market and other luxury commodities, however there are many features of whisky which make it unique. It is therefore challenging to analyse the market without considering variable factors, such as the characteristics of the cask that make it one of a kind.

The complexity is also enhanced by the fact that, unlike a piece of art, or a collectible bottle of already-bottled whisky, the value of casks is not only dependent on demand, but also the maturation of the cask. Therefore a cask purchased this year will effectively become a new product as the years pass.

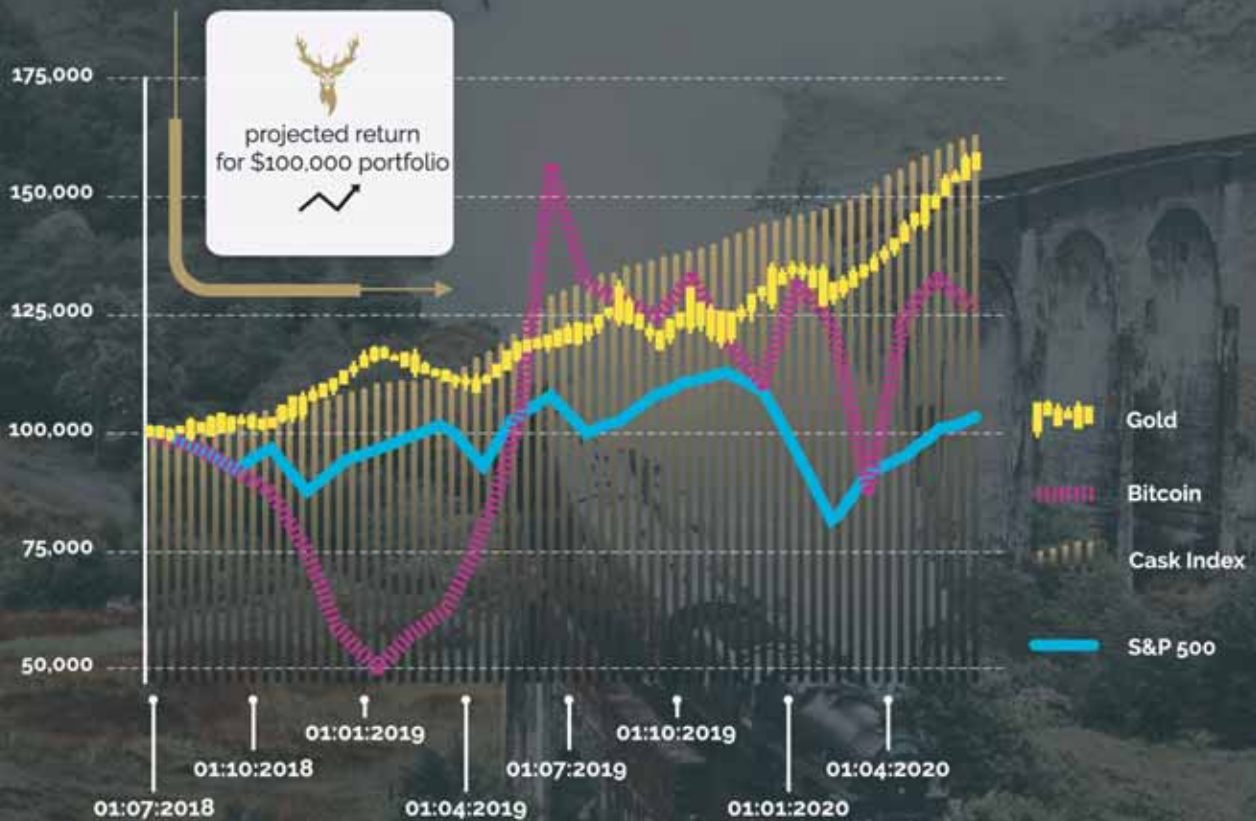
A generated Whisky Cask Index has collated the projected values of a representative sample of twenty casks from assorted distilleries and vintages. They chose distilleries with a wide geographic spread and with varying levels of eminence, ranging from quite niche to very famous. Most importantly, a good number of casks from these distilleries have passed through their care, so creating confidence that they have enough data for accurate projections.

In spite of the global economic turmoil of the first half of 2020, the Whisky Cask Index has shown stability, and even growth. Not a single distillery index showed negative returns throughout the last five years, indicating the level of trust that can be placed in cask whisky even during times of economic uncertainty.



- *Re-Charred Cask*
A cask that has been flame-burnt to add another flavour profile to the spirit.

Steady and Stable Growth



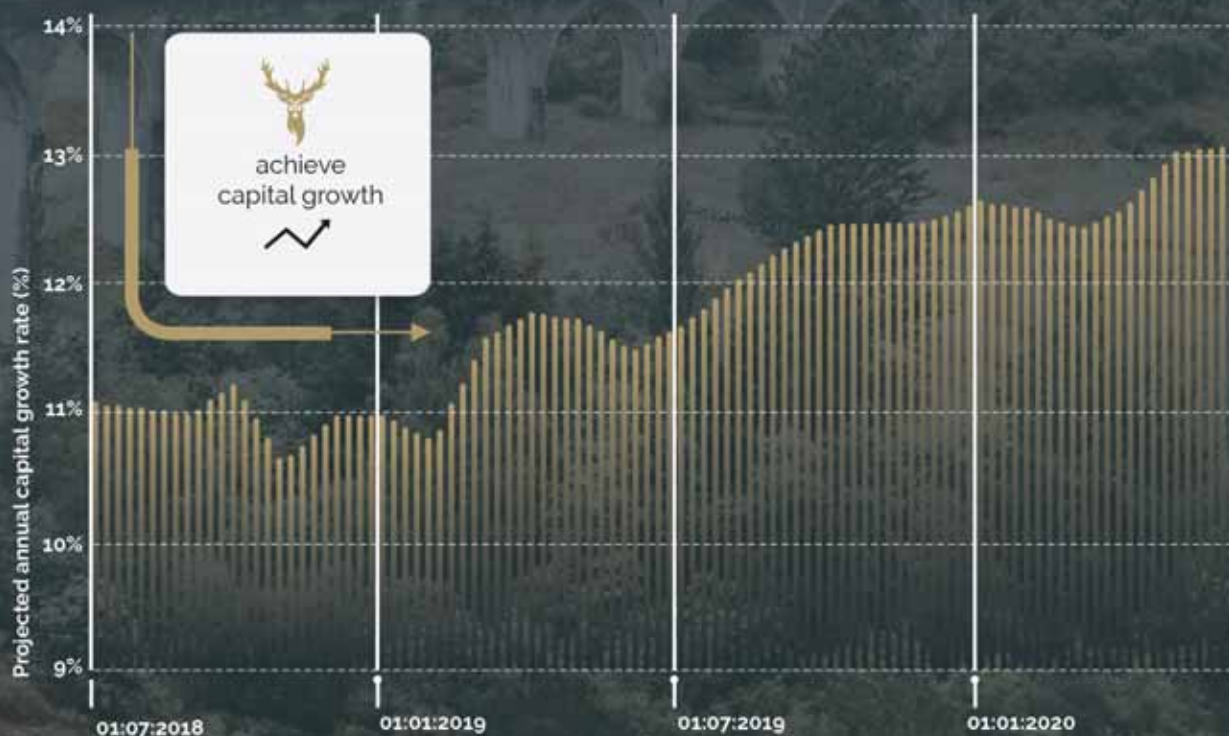
Since 2008 many canny investors have turned to tangible assets and soft commodities as a "safe haven" to hedge against volatility and economic uncertainty; as in comparison to stocks they have proven more stable, being largely detached from the mainstream financial markets. Although these alternative vehicles do encounter market fluctuations, whisky has shown consistent and favourable performance when compared other asset class tangibles.

Considering gold is viewed to be one of the most stable commodities in the world, it serves as a fair benchmark to make comparisons. As illustrated in the graph, if an investor had invested 100,000 of any currency in July 2018 into Bitcoin, gold, or the S&P 500. The projected value of their portfolio would be less than if they had invested in casks of whisky.

● *Regauge*
A regauge can be done on request to test the alcohol strength and volume

● *Single Malt*
Whisky made from one single malt, typically barley.

Average Annual Capital Growth of 13.09%



When data was collated in June 2020, the projected average annual capital growth rate for whisky casks was calculated to be 13.9%, which was in-line with the positive trends in the market observed over the previous two years.

As displayed in the graph, the Whisky Cask Index has shown steady growth across the years, as well as the rate at which casks appreciate annually being on the rise. This appreciating rate can be attributed to the aforementioned positive impact of both the maturity of the whisky, as well as a response to the increasing demand as whisky supply is sold in to a more diverse range of global markets.

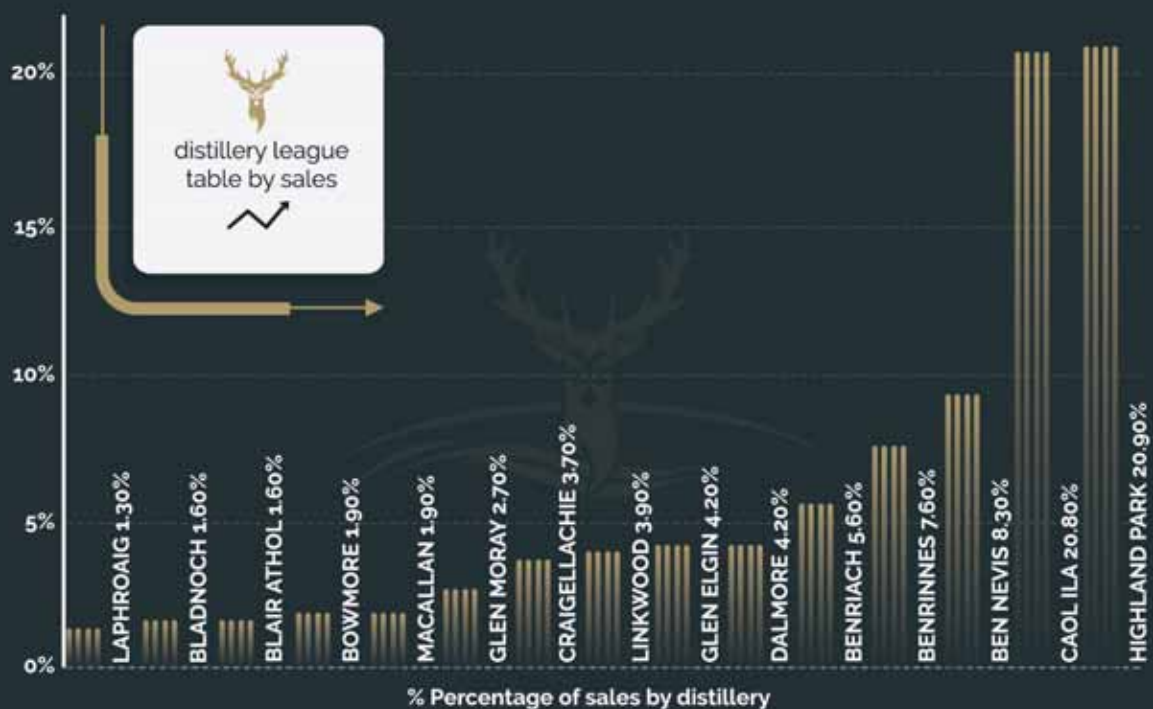
- *Sleeper Distillery*
A Distillery that has stopped production but still holds casks in their inventory.

The League Table of Distilleries by Sales

Further data was collected of casks sold from different distilleries for the year ending June 2020 in order to determine the most popular distilleries over this period.

This information is helpful in understanding which distilleries achieve the greatest number of sales and hence is important when guiding investors into discovering which distillery would be best for their investment.

Along with our aim to educate our investors, we give them the tools required to identify the most reliable distilleries' casks in order to achieve the best exit strategy.



- *The Angels' Share*
The alcohol that evaporates while the whisky is maturing in the cask.

The League Table of Distilleries by Sales

Overall Annual Capital Growth across all distilleries and regions as of June 2020 demonstrated a 13% increase in value (as previously mentioned). This has further been broken down by distillery in order to understand the highest achieving distilleries by capital growth.



Even though it is not shown in the graph above, it is extremely positive that no single Scottish distillery demonstrated a negative index in capital growth. Projections ranged from a predicted annual capital growth of 5.13% for a small Scottish distillery, Ardmore, to larger scale popular distilleries such as Laphroaig and Macallan, which both show projected returns approaching 20% per annum.

The top distillery by predicted annual growth is Laphroaig, in which demand is continually increasing past supply. The following two distilleries in the league table are both located in Islay, with both Bunnahabhain and Staoisha showcasing the popularity of this region.

In terms of distillery territories, it is worth noting that whisky produced on Scottish islands dominate the top ten in the capital growth league table with only Macallan, Springbank and BenRiach representing mainland distilleries in this comparative list.

- *Whisky or Whiskey?*

Whisky comes from Scotland whereas whiskey defines an Irish product but also applies to the rest of the world

Younger Casks Favouring Higher Returns

It has been noticed that in previous years investors have begun to realise the potential of investing in younger casks of whisky.

Data analysis has demonstrated that these younger casks have reached higher average projected annual capital growth in comparison to other aged whisky. As the data displays, on average, a cask which has matured for 3 - 10 years is predicted to increase in value by 15.82% per annum.

Younger whisky casks are predicted to achieve larger percentage increase in value, however prices of course are lower in younger life and hence, in terms of monetary value, larger increases occur when the whisky casks are older.



Projected capital growth by years of maturation

Status	Age	01:07:2020	01:01:2020	01:07:2019
New Make	0-2 Years	21.81%	21.22%	18.33%
Emerging	3-10 Years	15.82%	15.84%	14.48%
Intermediate	11-20 Years	13.67%	13.27%	12.32%
Premium	21-30 Years	11.19%	10.99%	9.98%
Blue Chip	30+ Years	10.07%	10.14%	9.03%

It is for this reason that investors which are willing to hold on to their investment in the longer term, as well as looking for a lower entry prices, are open to invest in younger whisky casks, with great success. Whilst casks which are already mature in age will require a greater initial buy in, the high percentage returns demonstrate great projected yields on future returns.

Looking Forward into the Future

As the whisky market grows and expands into new and established markets, it has been predicted that demand will therefore align with this growth and therefore will require supply to also increase. With increased worldwide demand of whisky, the value of whisky in casks will only increase, in particular more aged whisky, along with the value of whisky produced in 2020 and 2021 during the global pandemic due to the closures of distilleries which meant that there was reduced supply.

It is therefore no surprise that name brand whiskies distilled in 2020 or 2021 will see an acceleration in growth due to the lack of availability over this time frame and increased demand making it highly investible whisky.

The data in this report is reflective of the trends which have been witnessed in the whisky market over the past few years, with extremely reassuring outcomes. This is particularly noticeable in the fact that the index did not record any negative returns throughout the period of the study. The projected annual capital growth across the distilleries is calculated to be 13.09%, with the top ten distilleries in Scotland having projected returns of 13 - 20% as of June 2020.

If growth continues at a comparable rate, the data suggests that investments made in to casks from one of the top ten distilleries, which Riverside Whisky Partners has access to, could see their investment double in value over the next 5 years. In times of great uncertainty, these findings provide great prospects for future days ahead.

- **YOUR INVESTMENTS DONE YOUR WAY
TAKING THE JOURNEY TOGETHER!**

Riverside
WHISKY PARTNERS

**REACH
OUT**

Contact us
SALES

Address:

3 More London Riverside
London SE1 2RE

Telephone

+44 (0)203 9847302

Web & Email

info@riversidewhisky.com

www.riversidewhiskypartners.com



Riverside Whisky Partners logo