



W H I S K Y
Investment Partners



WHISKY INVESTMENT PARTNERS EXISTS FOR JUST ONE PURPOSE – TO MAKE WHISKY CASK INVESTMENT EASIER FOR INVESTORS

Whether you're a private investor, or represent a retail or institutional client, we'll guide you through every step of the process, to help you to add casks to your investment portfolio.

The World wants whisky

Scotch Whisky, to be precise. It's an asset with a highly desirable global demand, but with a very limited supply. This is partly due to the precise and complex procedures it has to go through to be classed as Scotch Whisky.

A drink by any other name

In order to be legally sold as Scotch Whisky, New Make Spirit (the clear, potent liquid formed by fermenting and distilling malted barley, water and yeast) must mature in a wooden cask, in Scotland, for a minimum of 3 years. And these casks have to be stored in an HMRC approved bonded warehouse.

The time spent in the cask creates a substantial increase in value, as Cask Maturation means the spirit can now be legally sold as Scotch Whisky.

A growing market

With an export value of £4.7bn per annum, Scotch Whisky represents 70% of all Scottish Food and Drink Exports. That's 41 bottles of Scotch Whisky exported every single second.

Historically, Scotch Whisky has consistently delivered average returns of 12% a year. And it's been approved by several Self-Invested Personal Pension Schemes, proving its metal as an alternative investment that shouldn't be overlooked.

While individual distilleries vary, the major deciding factor in the size of your return, is time. If you can hold your Scotch for five or more years, you're much more likely to see a far greater return on investment.

Your investment partners

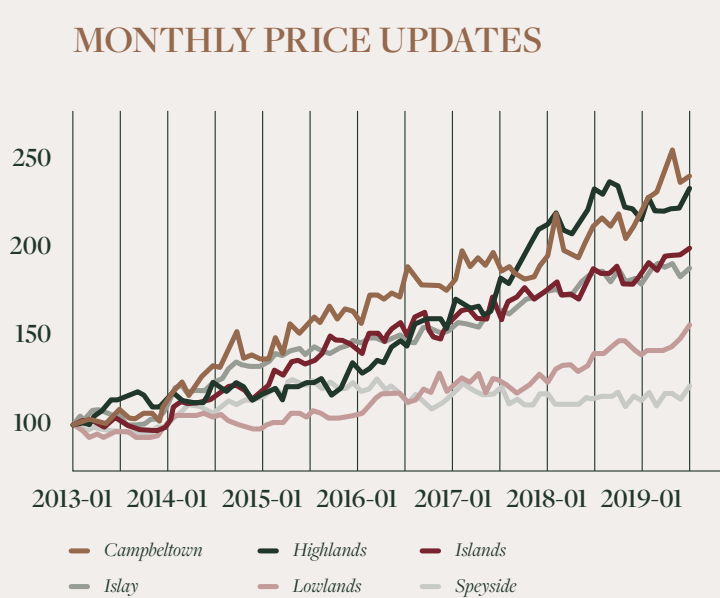
Our focus is to partner with private investors like you, in order to help you buy premium Scotch Whisky at wholesale rates. We give you all the facts you need to make an informed choice about which whisky to invest in.

And, let's not forget one of the main benefits that makes Scotch Whisky investment so exciting – that sweet anticipation of tasting the first drop of your very own, personal, and unique Scotch.

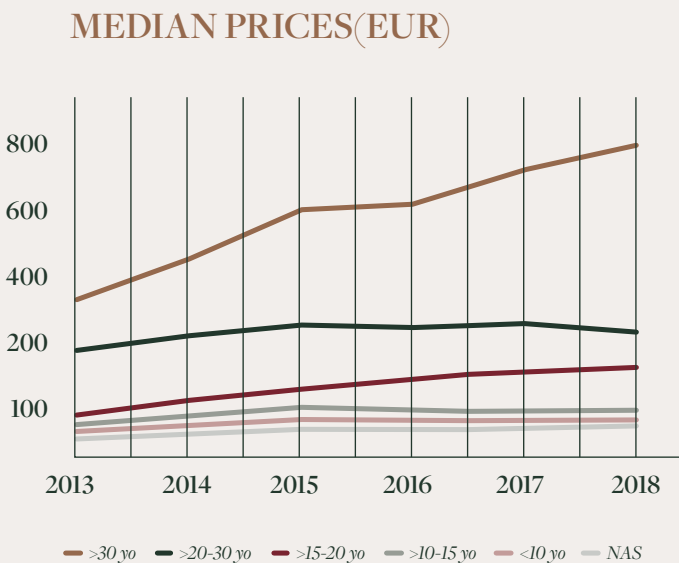
THE GLOBAL DEMAND FOR SCOTCH WHISKY FAR OUTSTRIPS SUPPLY

This is despite the Scottish Whisky Association reporting a consistent market growth of 5.8% year-on-year for the last decade.

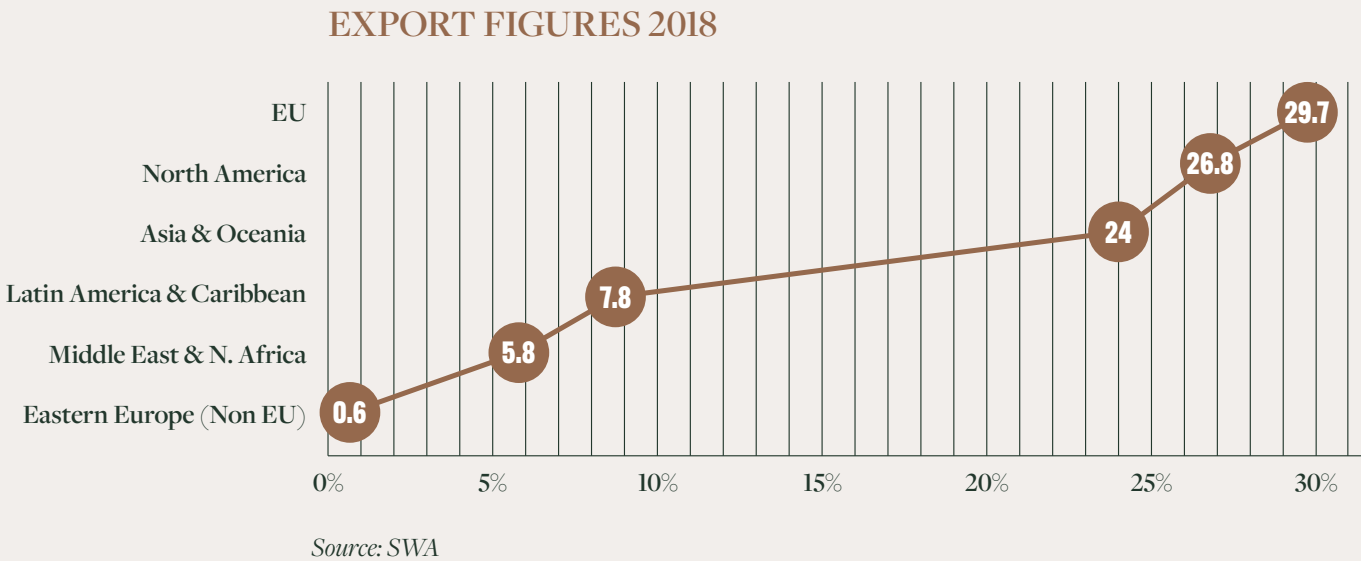
And the numbers are impressive:



Source: Whisky Stats



Source: Knight Frank



Source: SWA

41 BOTTLES – 70CL AT 40% ABV – OF SCOTCH WHISKY ARE SHIPPED FROM SCOTLAND TO 175 MARKETS AROUND THE WORLD EVERY SINGLE SECOND

1.28BN THAT'S MORE THAN 1.28BN BOTTLES SHIPPED A YEAR

350,000KMS LAID END TO END, THOSE BOTTLES WOULD STRETCH CLOSE TO 350,000KMS – 90% OF THE DISTANCE TO THE MOON

£5.5BN IT PROVIDES £5.5BN IN GROSS VALUE ADDED (GVA) TO THE UK ECONOMY

SCOTCH WHISKY EXPORTS ARE WORTH £4.7BN

70% SCOTCH WHISKY ACCOUNTS FOR 70% OF SCOTTISH FOOD AND DRINK EXPORTS

10K THE INDUSTRY DIRECTLY EMPLOYS MORE THAN 10,000 PEOPLE IN SCOTLAND

21% SCOTCH WHISKY ACCOUNTS FOR 21% OF ALL UK FOOD AND DRINK EXPORTS

40K JOBS ACROSS THE UK ARE SUPPORTED BY THE INDUSTRY

1.3% SCOTCH WHISKY ACCOUNTS FOR 1.3% OF ALL UK EXPORTS

7K OF THESE JOBS ARE IN RURAL AREAS OF SCOTLAND, PROVIDING VITAL EMPLOYMENT AND INVESTMENT TO COMMUNITIES ACROSS THE HIGHLANDS AND ISLANDS

2M THERE ARE 2 MILLION VISITS TO SCOTCH WHISKY DISTILLERIES EVERY YEAR, MAKING THE INDUSTRY THE THIRD MOST POPULAR TOURIST ATTRACTION IN SCOTLAND

20M CASKS LIE MATURING IN WAREHOUSES IN SCOTLAND, JUST WAITING TO BE DISCOVERED

TO BE CALLED SCOTCH WHISKY, THE NEW MAKE SPIRIT MUST MATURE IN OAK CASKS, IN SCOTLAND, FOR AT LEAST 3YRS

133 THERE ARE CURRENTLY 133 OPERATING SCOTCH WHISKY DISTILLERIES ACROSS SCOTLAND

“A DECADE OF GROWTH FROM 2007-2008 SCOTCH WHISKY EXPORTS HAVE INCREASED FROM £2.8BN TO £4.7BN, SCOTCH WHISKY NOW ACCOUNTS FOR 20% OF FMCG EXPORTS FROM THE UK.”

The 2019 Frank Knight Wealth Report

The Knight Frank Wealth Report names Whisky as 2019's top performing luxury investment. With an increase of 40% on rare bottle values in the last 12 months, it far outstrips the well-established asset investments of art, wine and cars.

2019 also saw a record-breaking fee achieved for a single bottle at auction when a Macallan 1926 sold for an eye-watering \$1.5m. That's around £50k a dram. The overall total value of Scotch Whisky sold at auction last year exceeded £40m.

Data collected by Rare Whisky 101 suggests that rare whisky value – from December 2014 to 2018 – increased by more than over 160%. Compare this to just 2.47% for the FTSE 100 and you start to see why we're passionate about Whisky Cask Investment.



A CRASH COURSE IN CASK WHISKY

We know Cask Whisky and we want to share our knowledge with you. So, here's some key facts you need to know.

Scotch Whisky is the undisputed king of whiskies

It grew in export value by 7.8% in 2018. It's a tried and tested maturing asset – the longer the whisky matures, the smoother and richer its flavour. The smoother and richer its flavour, the greater its value.

That said, every whisky has a peak maturation process because almost all of its unique flavour profile comes from the oak cask. Once it's bottled, whisky stops maturing, unlike wine. These two factors are what makes Whisky Cask Investment such a good option if you're looking for strong returns over 3 to 10 years.

Casks are mostly bottled after 7, 10 or 15 years

This dramatically reduces the number of casks holding older whiskies. Any whisky still in its cask after 20 years is extremely rare. Extremely rare whisky is extremely valuable.

This is where cask owners can see exponential returns. Global demand for such rare assets is incredibly competitive, inevitably leading to a bidding war in the auction room. That Macallan 1926 that went for \$1.5m? It was laid down for sixty years. That's a return of \$25k a year.

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ONCE IT'S
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STOPS MATURING

WITHOUT HELP
FROM INVESTORS,
MANY DISTILLERIES,
ESPECIALLY THE
SMALLER OR NEWER
ONES, SIMPLY
COULDN'T AFFORD
CASK MATURATION.



WHY DISTILLERIES NEED PRIVATE INVESTORS

The costs of providing secure storage for millions of pounds worth of casks is massive. Then there's insurance fees and the cost of capital – outlaid prior to buying grain, paying staff, importing barrels and paying distillery overheads.

DISTILLERY REVENUE OPTIONS



Borrowing

Like any credit facility or bank lending, this option requires assets to be used as security. It exposes the distillery to fickle fates of interest rates – not a viable option for distilleries with existing credit lines in place.

Distilleries are also up against a new ruling. Asset backed lenders must now take their company's further liabilities into account. The upshot of this is low funding levels offered by lenders.



Investment

Ultra-High-Net-Worth and Family Offices are an alternative funding option for distilleries. But there's a downside. The distillery owner has to give up a large amount of equity and control of the distillery.

One of the things that makes Scotch Whisky a globally desired commodity, is the generations of expertise that goes into its production. Many distilleries are family owned and corporatising any family business runs the risk of killing its heart and soul. The very things that make it a great business.



Whisky Investment Partners

Due to our strong relationships with several leading distilleries, we have contracts in place to purchase New Make Spirit casks at heavily discounted prices. This gives the distillery much-needed funding, helping them cover operational costs.

It also creates an opportunity for private investors, like you, to take New Make Spirit from distillation to cask. Your cask is then laid till maturity in a bonded warehouse, insured for 5 years against theft, accidental damage, spoilage. It's a win-win situation for you and the distillery.

Why Purchase Casks?

WHISKY CASKS ARE
A STORE OF WEALTH.
THEY'RE INCREASINGLY
SOUGHT AS RELIABLE
HEDGES AGAINST TIMES OF
ECONOMIC UNCERTAINTY

And, they're viewed as one of the safest, most secure assets you can hold, alongside gold. We're here to give you a unique, simple way to enjoy the benefits of Whisky Cask Investment.

When you become one of our investment partners, we guarantee:

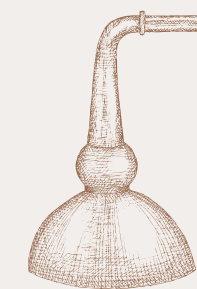
- You own individual casks 100% outright
- Casks are stored in secure HMRC government bonded warehouses
- You're not reliant on a single fund manager or company to perform
- If the distillery or the bonded warehouse goes bust, it has no impact your investment
- There's no VAT to pay as duty's suspended
- Your investment's CGT (Capital Gains Tax) exempt
- It's fully insured against theft, accidental damage, spoilage for 5 years
- The cost of 5 years secure storage is included in purchase price

HOW IT WORKS



01.

We source whisky from the best distilleries in Scotland and Ireland. Purchasing it at discounted rates to help distilleries cover their up front costs.



02.

We then pass these rates on to investors who purchase the casks outright. The casks are stored in a secure bonded warehouse and insured.



03.

You then wait anywhere from 3-5 years whilst your casks get more and more valuable. We will reinsure your cask every year in line with the increase.



04.

When you're ready to exit for returns of between 12-20%, you have one of 6 exit strategies. Include selling on to whisky brands and bottling under your own label.



TODAY'S RAIN IS TOMORROW'S WHISKY

AS WITH ANY
SPECIALIST FIELD,
WHISKY HAS ITS
OWN LANGUAGE
AND DEFINITIONS.
WE WANT TO TEACH
YOU THE BASICS.

Alcohol by Litre (ABL)

The quantity in which whisky is measured, by the litre

Alcohol by Volume (ABV)

The strength of the spirit – any cask that drops below 40% can no longer be sold as whisky

Blended Malts

Whisky made from various whole grains rather than a single malt

Bonded Warehouse

An HMRC secure storage facility where whisky is held while maturing

Cask

A cask is the wooden barrel whisky is stored in to mature

Duty

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

Ex-Bourbon Cask

A cask previously filled with bourbon

Malt Whisky

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

New Make Spirit

The clear, potent spirit before it's been cask matured for at least 3 years

Re-Charred Cask

A cask that has been flame-burnt to add another flavour profile to the spirit

Re-Gauge

A test done every 3 years after the first 5, to test the alcohol strength and volume

Single Cask Malts

Comes from just one cask

Single Malt

Whisky made from one single malt, typically barley

Sleeper Distillery

A Distillery that has stopped production but still holds casks in their inventory

The Angels' Share

The alcohol that evaporates while the whisky is maturing in the cask

What will you do with your whisky?

WHATEVER YOU DECIDE TO DO WITH YOUR SCOTCH WHISKY CASK, WE'RE WITH YOU EVERY STEP OF THE WAY

Whether you're going to drink, gift or sell your whisky, we're here to help you decide which whisky to invest in and to ensure your cask is stored correctly and securely.

When it's passed Cask Maturation, we're here to help you decide what your next steps should be.

We're passionate about whisky. And we want you to share the excitement and sense of luxury that owning your own Scotch Whisky cask brings.

This excitement goes hand-in-hand with something that's also an extremely sound financial investment.

So, are you ready to join us on the adventure of a lifetime?



Drink it

First and foremost, Whisky is created to be enjoyed. So, once it passes 3 years of Cask Maturation, you can bottle it for your very own whisky.



Gift it

Bespoke whisky is becoming increasingly popular as the ultimate customised gift.



Whisky brands

Whisky brands prefer to purchase whisky that's already matured, as this reduces cashflow constraints – they can buy a cask, bottle the whisky, and send it straight to resale.



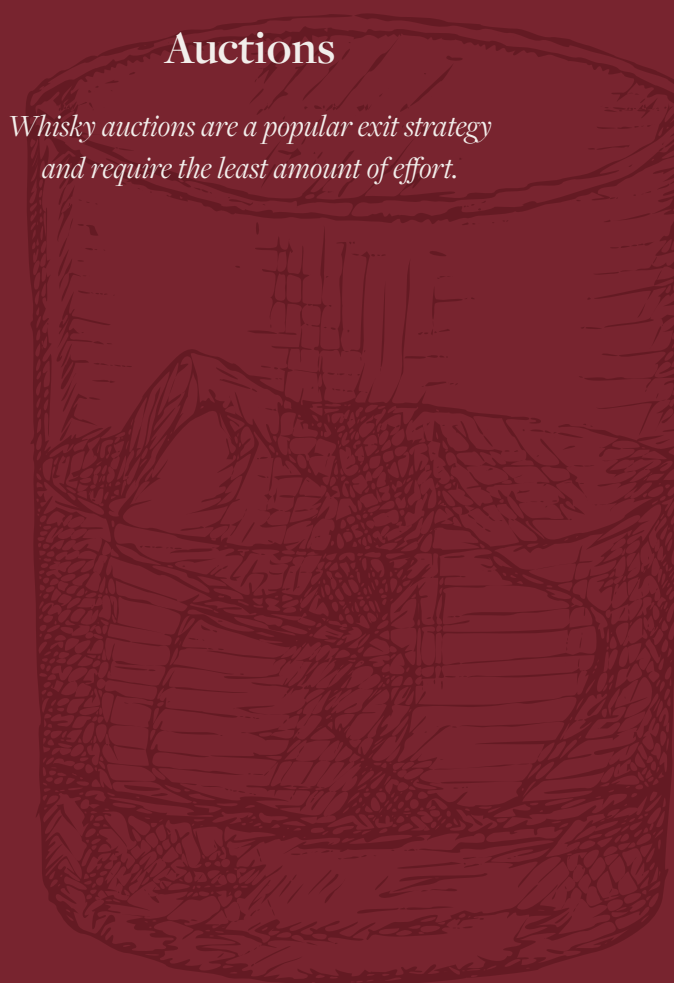
Private investors

Anyone passionate about whisky, who's hoping to own an 8-year-old Whisky Cask, is far more likely to purchase a cask that's already passed maturity – for a premium – than wait the full 8 years.



Auctions

Whisky auctions are a popular exit strategy and require the least amount of effort.



Security

FRAUD SURROUNDING RARE, BOTTLED WHISKY AND WINE IS COMMONPLACE

This is because of the tight regulations that HMRC enforce, no longer apply once the cask has left the bonded warehouses and been bottled. Thus, opening up the routes for fake bottles to appear.

Yet fraud in whisky casks is virtually non-existent. HMRC's tight measures control the industry. Their processes make fraud at this stage practically impossible.

By law, from the moment your cask is filled, it's given a unique identification code. This code stays with it through every step of its lifetime. The code is recorded at the distillery, by transportation companies and recorded at the bonded warehouses.

Any mismanagement of these records can result in the offending company having its operating licence revoked, effectively shutting it down – it's that serious.

A bonded warehouse is a tax-free storage location. Duty and tax payable on goods held there are deferred until the goods are purchased and shipped out. This is usually by a professional blender who acquires your whisky for bottling when it's mature.

Because of the high potential tax take from alcohol, bonded warehouses are licensed by HMRC and closely monitored by the government. They're among the most tightly controlled locations in the country.

Regulations

THE PRODUCTION, SALE AND MOVEMENT OF NEW MAKE SPIRIT IS STRICTLY CONTROLLED BY HMRC

This is because tax on New Make has been suspended, with no VAT payable. Distilleries, bonded warehouses and brokers all fall under this tight control and we must be licensed in order to trade.

The license we operate under is The Warehouse-keepers and Owners of Warehoused Goods Regulations 1999 (WOWGR).

In March 2020, HMRC granted Whisky Investment Partners our WOWGR licence.

We're now fully authorised to buy, sell, move and store New Make duty suspended whisky. When you become one of our investor partners, you know you're dealing with an HMRC approved company.

Trade Association Memberships

Whisky Investment Partners are proud to announce that we follow the rules and regulations of the most highly regarded trade associations in the industry.

We practice and adhere to the strict guidelines set out for membership in order to uphold and protect the Scotch whisky industry reputation.

- Scotch Whisky Association (SWA)
- British Distillers Alliance (BDA)
- The Malt Distillers Association of Scotland (MDA)
- Wines and Spirits Trade Association (WSTA)



WHO ARE WHISKY INVESTMENT PARTNERS?

Whisky Investment Partners are a specialist whisky cask brokerage offering HMRC authorised cask sales, management and service solutions to our private, retail and institutional clients.

We are committed to helping investors around the world unlock the power of whisky investment to build stronger and higher yielding portfolios. We work alongside a global network of wealth managers, who, along with their clients, build whisky portfolios that protect wealth and deliver unparalleled benefits. With the current global economic uncertainties as they are, we see this as a perfect time start investing in cask whisky.



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FREQUENTLY ASKED QUESTIONS

Why buy whisky?

Until recently, cask whisky was difficult to purchase. So, unlike equities and bonds, it's not a 'crowded trade'. Buying tangible assets gives you more financial security as products can't go bust like organisations can. It makes buying a Cask Whisky a much more attractive option.

What is a cask?

Casks are the industry name for a wooden barrel. Casks are sourced from the US and made from American oak, where they have previously been used to age Bourbon whisky. Scotch Whisky doesn't like to mature in newly made casks as it takes on too much flavour from the wood. Bourbon, however, prefers newly made casks.

What is first fill and refill?

Casks can be described as 'first fill' or 'refill'. An American whisky cask that is being used to mature Scotch for the first time is referred to as 'first fill'. It becomes a 'refill' cask when used for a second or subsequent time.

What is included in a cask purchase?

A cask purchase gives you a package that includes the high-quality oak cask and the New Make Spirit inside. Just as importantly, it secures bonded storage for 10 years to allow the whisky to mature and increase in value. Insurance is also included on the casks to ensure your peace of mind when purchasing.

Purchasing a complete package with Whisky Investment Partners means there are no additional fee's during the first 10 years.

How is Scotch Whisky made?

New Make Spirit must be fermented and distilled in Scotland, using malted barley, Scottish water and yeast. The New Make Spirit is then matured in oak casks for a minimum of 3 years. The casks must be stored in Scotland throughout the maturation process. The only additive permitted is caramel.

After Cask Maturation, the New Make Spirit has become Scotch Whisky. The Scotch Whisky Regulations of 2009 mean that the quality restrictions surrounding Scotch Whisky production are strict. This ensures you're purchasing the highest quality, luxury product. It also carefully preserves the unique flavour produced in Scotch, which is unmatched worldwide.

What if you go bust?

In the unlikely event that we, the distillery or bonded warehouse ever went bust. Your asset would simply be moved to another bonded warehouse. It's your cask, you own it. It would not be party to the liquidator's claims.

Where is the opportunity to sell on?

With the whisky market at record levels, there are plenty of opportunities to make a profit on your purchase with Whisky Investment Partners. 41 bottles of whisky are exported from Scotland to the rest of the world every second.

The whisky blending industry is hugely lucrative, giving you multiple opportunities to sell your whisky after it's matured. There are numerous platforms, brokerages and auction houses which specialise in the sale of whisky casks. Whisky Investment Partners will be with you every step of the way.

Will I have to pay capital gains tax?

The good news is that whisky casks are classed as a wasting asset. As such, they're not subject to capital gains tax. Even though it may be good news that your whisky cask won't be subject to capital gains when you come to sell it, you may be wondering why your cask is classed as a wasting asset?

Casks are made from wood, which is porous. Some whisky is absorbed by the wood and some is lost to evaporation. An average of 2% of the whisky in a cask is lost each year, which is known as The Angels' Share. Because of alcohol lost to the Angels' Share, HMRC classifies whisky spirit in casks as wasting goods, therefore the CGT exemption applies.

Can I visit my cask?

The simple answer is yes. However, we have to appreciate that bonded warehouses are working facilities. They have strict health and safety policies in place to prevent accidents or injury. As such, they can't entertain drop in visitors. Whisky Investment Partners will arrange group viewing days that can also be tied in with a tour of the distillery.

Is my cask insured?

Yes, your casks are fully insured for 5 years from the start of your ownership. All casks must be fully insured to meet the strict storage requirements of the bonded warehouse. We meet this obligation by insuring all casks under a group policy with Aviva. Our premiums are adjusted annually to allow for the rise in value of each cask, ensuring each and every cask has the appropriate level of cover. The insurance covers, damage, full loss and theft.

What is a bonded warehouse?

A bonded warehouse is a tax-free storage location. Duty and tax payable on goods held there are deferred until the goods are purchased and shipped out. This is usually by a professional blender who acquires your whisky for bottling when it's mature. Because of the high potential tax take from alcohol, bonded warehouses are licenced and closely monitored by HMRC. They're among the most tightly controlled locations in the country. Your cask's in safe hands.

Why purchase casks over bottles?

Whisky is unlike many stored goods – it develops and increases in value as it ages in the cask. Purchasing casks, instead of bottles, is a specialist approach. But, it's much more profitable in the long term. Unlike wine, whisky doesn't mature in the bottle. Once Scotch Whisky is bottled, there'll be no change in its flavour. The age statement on the bottle refers to the amount of time it's spent maturing in the cask. Its 'age' doesn't change even if the bottle is kept for decades. A 10-year-old whisky will always be a 10-year-old whisky once bottled.

Generally, the longer that you leave the whisky in the cask, the higher quality it'll be. So, older whiskies command higher prices. Purchasing casks means you're receiving a product that will improve and develop over time. Also, tax on whisky in the bottle is much higher per LPA than on spirit in the cask. There's no duty charged on the whisky as it's maturing in a bonded warehouse either, which makes it very tax efficient.

What is The Angels' Share?

This refers to the amount of whisky lost during the ageing process. In order for whisky to properly age, it has to breathe. Anytime you store a liquid in a non-airtight container, you will lose some to evaporation.

However, The Angels' Share actually plays something of a necessary role in whisky maturation. This process of evaporation is how distilleries eliminate some of the unwanted ingredients of their whiskies. While some "fresh" brews may be clocking in at a very high alcohol content, this is guaranteed to taste awful. Distilleries rely on this evaporation process to eliminate some of the alcohol and allow the other ingredients to take a more prominent role within the whisky.

What are the risks?

We see very limited downsides to investing in casks of whisky. The only real risk is that whisky falls out of fashion and there is suddenly no real demand for whisky.

Although past performance is no guarantee of future performance, we simply can't see this happening. With more and more developing nations rising through the ranks, we feel that there'll be an even greater demand than we're seeing today. Whisky exports have seen year-on-year growth every year for over 30 years now.

