

Expertise & Commitment
Steeped in History
An Attractive Investment



WHISKY & WEALTH
CLUB

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Whisky offers an alternative investment that can provide diversification benefits





Foreword from William Fielding, COO, Whisky & Wealth Club

Welcome to the world of Scottish cask whisky investment.

The whisky maturing process has been generating returns for an exclusive community for hundreds of years.

Historically, only distillers, blenders and a select few were able to benefit from this market.

Whisky & Wealth Club has opened up the market by offering private investors the opportunity to purchase premium, branded, Scotch

whisky of the highest quality, at wholesale rates.

To provide as much security as possible, when purchasing cask whisky from us, all assets are fully insured and stored in a bonded warehouse.

We use our team's **combined experience of over 60 years** in both the investment and beverage industries to ensure that we only work with leading Scottish brands

and distilleries. With this in mind, each investor can be sure they are purchasing a high-quality asset with a strong potential resale value.

Whisky is an alternative investment that can diversify your portfolio. A number of our investors are using this opportunity to add a different layer to their pension plans now that cask whisky is being approved for use by an increasing number of self-invested personal

pension schemes.

Average returns are around 12% per annum, however this is subject to variation.

For those investors who can hold on to their casks for longer than the average three to five years, the demand for whisky matured for eight or more years is generally greater and can provide a higher return on investment.

The future looks bright for the Scottish whisky market. Thank you for taking the time to read our brochure.



Best wishes

William Fielding
COO
Whisky & Wealth Club

Whisky is an old and much loved spirit around the world. **It must mature for at least three years before it can officially be classed as whisky and takes longer still to develop the depth of flavour that we have come to love.**

The investment case for cask Scottish whisky

The longer the whisky matures, the smoother and richer in flavour it becomes. Whilst maturing, the harshness of the alcohol will decrease while the quality of the spirit increases. Almost all of a whisky's flavour comes from its contact with the oak casks. While every whisky has a peak maturation period, the general rule is, the older the whisky, the more cask influence and characteristics it holds.

The draw of cask over bottled whisky is that whisky continues to age in the cask whereas this process stops once it has been bottled. Investing in casks of Scottish whisky is an attractive option for many people, with typical returns ranging from 12% to 20% per annum,¹ although

past performance cannot guarantee future returns. To give some perspective to market size, every second, 41 bottles of Scotch whisky are shipped from Scotland to 175 markets around the world.³ Whisky accounts for 70% of Scottish food and drink exports, and 21% of all UK food and drink exports.⁴

In 2018, the export value of Scotch whisky grew by 7.8%, to a record £4.70bn⁵ and the number of 70cl bottles exported reached record levels, growing to the equivalent of 1.28 billion.⁶ Scotch whisky is also the undisputed king in terms of whisky market data.⁷ This is in stark contrast to the Irish whiskey market, for instance, where macro and political changes led to long periods of market inactivity and negatively affected data collection.

Whisky & Wealth Club has built trusted relationships with some of Scotland's most well established and highly reputable distilleries. These relationships, along with our team's expertise and commitment to buying in large volumes are what set us apart from other whisky investment firms. Our high volume contracts enable us to offer high quality casks at competitive rates.

All whisky purchased from our distillery partners is insured and stored in bonded and maintained warehouses. When investors wish to exit their investment there are multiple strategies to consider. Our investors are able to sell to other buyers and distilleries as well as having the option to bottle the whisky themselves.

We are able to support our investors through whichever channel they feel best meets their financial needs.

Map showing Scotland's 128 active distilleries

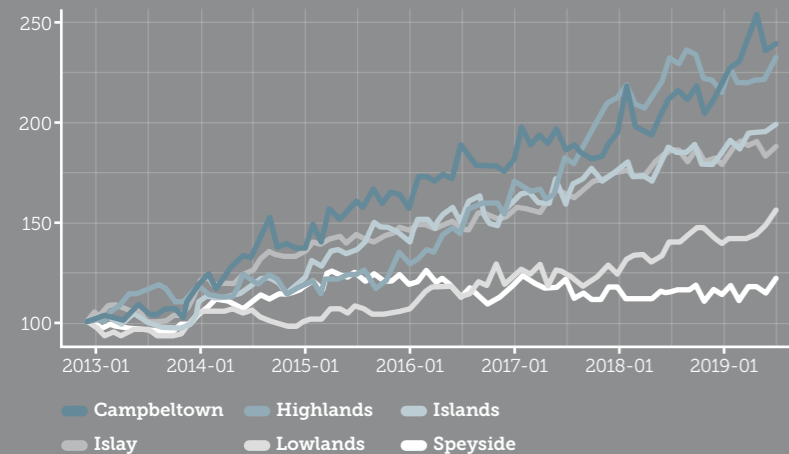


Scottish whisky is steeped in history and has a well-established export market. Home to 128 active distilleries and many more whisky brands,² Scotland has the highest concentration of whisky production of any country. Many of these whisky brands are open to trading with individual cask holders to supplement their stock.



Why distilleries need investors

The whisky maturation process is a costly one with operating costs including insurance, employee salaries, utility expenses, purchasing casks, buying high quality grain and making the spirit itself.



In WhiskyStats' monthly price updates for bottled whisky, we can see that all the regions have trended upwards since 2013. Scotch whisky is in a very stable place, with market dominance and a great secondary market.

There are two key strategies that distilleries commonly adopt to accommodate this high upfront cost and remain profitable during the whisky maturation period:

Strategy One: Borrowing

The traditional bank loan or credit facility are amongst the funding options distilleries can consider to support their business. However, in addition to potentially signing over assets as security, and interest rate exposure, securing funds can be a difficult and lengthy process. Distilleries that are currently leveraged may struggle to increase borrowing facilities and the time taken to obtain funding can pose a significant risk to continuing business operations. Similarly, taking on investors into the distillery itself would usually require distilleries to relinquish some control, which may not be a viable option for some business owners.

Strategy Two: Wholesale selling

Distilleries are in the business of producing spirit. To create an alternative source of funds, they can produce new make spirit and sell the casks at wholesale rates to a whisky bonder or broker. This gives distilleries more control over the speed and source of their funding. Some distilleries use this model with a percentage of their whisky production to ensure a consistent revenue stream. This allows them to cover running costs while the majority of their spirit is laid to rest to mature and be bottled many years in the future.

Whisky & Wealth Club facilitates this process.

We have contracts with the distilleries to purchase large quantities of this new make spirit at an agreed, wholesale price. This sale provides the distillery with the funding required for operations or opportunities. The new make spirit is taken straight off the stills to be matured first fill, premium oak, ex-bourbon casks. It is then stored in a bonded warehouse and the casks are fully insured for ten years against fire, theft, accidental damage and spoilage, making our offering a full turnkey investment.



How investing in cask whisky works

1. Production:

New make whisky is distilled and laid to rest in casks while it matures. We only work with the finest Scottish distilleries who have a proven record of producing premium whisky. We have found that whisky produced by these distilleries and well-known master distillers offers a better resale value on the open market.

2. Broker negotiations:

We purchase the whisky in large volumes and as a result of this, have negotiated heavily discounted, wholesale rates. We organise the insurance as well as the storage in a bonded warehouse.

3. Private investors:

The initial cost for investors covers the cask, the 200 litres of spirit inside the cask (this is a rough guide as the casks are made by hand and are not all exactly 200 litres), plus the storage and insurance for ten years. The whisky's title and ownership are registered in the investor's name and as the owner of the asset, the investor can sell (or bottle) the whisky at any time. We recommend an investment of at least three to five years, Whisky & Wealth Club offers multiple options for investments of all levels.

4. Aged value:

In five years, you should own the equivalent of approximately 385-400 70cl bottles of Scottish whisky (46% ABV) per cask. The slight reduction in volume is down to the "angel's share" - an estimated 2% per annum rate of evaporation.

5. Time to sell:

Like maturing whisky, this is an unhurried investment. This needs to be considered by investors who require ready access to capital. When exiting your investment, there are a number of strategies to choose from. These options are briefly covered within this brochure.

If investors wish to engage us as their broker, we charge a 2% fee of the total sale price. This compares to the industry standard of 5-10%[®] on the sale price.

Our highly trained team of Whisky & Wealth Club professionals tailor each client's strategy to meet their specific needs.

How investing in cask whisky works – exit strategies

Once you own the casks of whisky there are numerous options for your investment. When you wish to release your casks our in-house experts will help you to decide which exit strategy is most viable for yourself.

1. Sell the casks in bulk to other whisky brands in need of mature stock.

- This can have potential tax advantages⁹ so please seek tax advice separately.

2. Sell to private investors or collectors

- Private investors often wish to bypass large portions of the maturation period by purchasing mature stock from our existing clients.

For example, a potential client hoping to own a 15-year-old whisky will be willing to pay a premium for a five-year-old and wait a shortened ten years to see a drastic return in profits.

This exit strategy is incredibly valuable when considering the bidding wars that begin after the eight-year benchmark.

3. Sell at a whisky auction

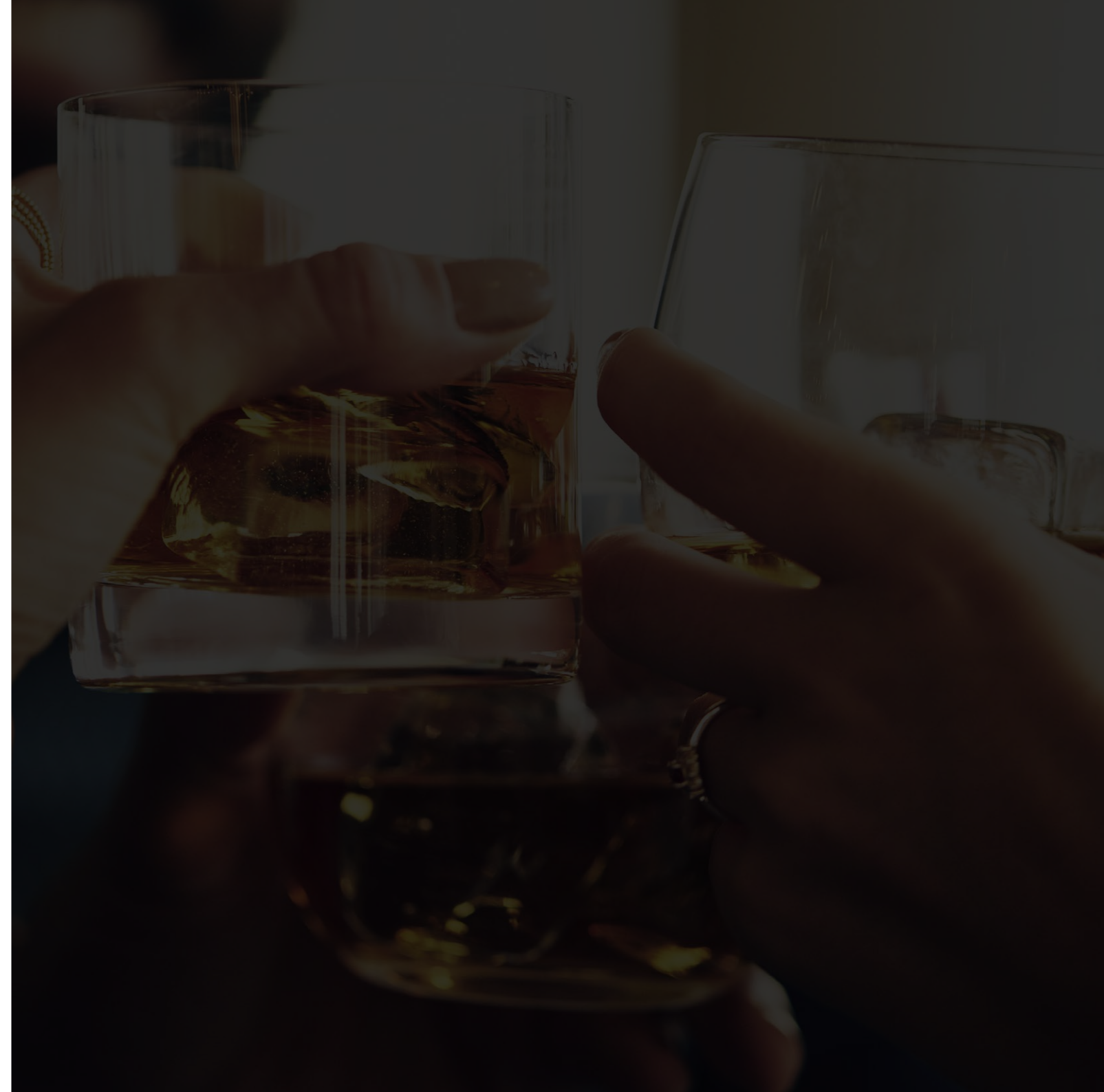
- Whisky auctions are a popular exit strategy and require the least effort on the part of the investor.

4. Private bottling and labelling

- You can sell to private labels such as supermarkets, hotel chains and even existing brands or distilleries. This option may be viable to some of our clients.

Please do get in contact with one of our whisky experts.

Whisky & Wealth Club are here to support you with any of these exit options.



Why Scottish whisky?

Case Study

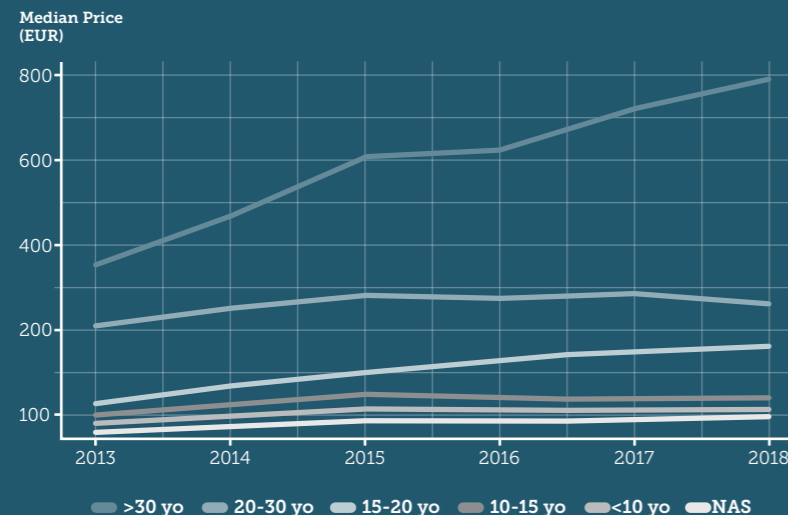
Whisky has been mentioned in the Knight Frank Luxury Investment Index.

Knight Frank includes whisky as an investment in its index, along with classic cars, wine, diamonds, coins and stamps. In 2018, whisky ranked second in the index, only behind art in terms of sales. This was helped by a new world record price set for a bottle of rare single malt scotch whisky. The Michael Dillon hand-painted bottle of Macallan 1926 was sold by Christies for \$1.5 million USD.¹⁰

Purchasing cask whisky is often compared to investing in wine, although the two are very different. With wine, the specific year matters, the grapes need to have the right amount of sun and rain at the right times. Whereas with whisky, Father Time usually casts the deciding vote.

While the quality of barley, malt and water as well as the distiller's technique along with the wood the whisky matures in play a crucial part in deciding the whisky's outcome - the main indicator in whisky's value is its maturity.

The Whisky Stats annual report (published March 2018)¹¹ shows the growth of aged whisky in value by looking at specific vintage classes, including those with no age statement (NAS), and the median price of bottles sold.



The surge in median price of single malts has been most evident in the US, Scotch whisky's biggest export market.¹²

According to the Distilled Spirits Council of the US, in 2018, 9.5 million nine-litre cases of Scotch were sold in the US, generating \$2.3 billion USD in revenue for distillers.¹³

Scotch continues to demonstrate stable growth beyond the US, growing in double digits in key markets such as India, Mexico, UAE and Singapore,¹⁴ thanks to growing demand for luxury goods and whisky's unparalleled reputation for quality, provenance and authenticity.

Scotch whisky export destinations by value (2018)

United States	£1,039.5m	+£117.8m	+12.8% (£921.7m in 2017)
Singapore	£319.9m	+£29.2m	+10.0% (£290.7m in 2017)
UAE	£146.9m	+£17.1m	+13.2% (£129.8m in 2017)
India	£138.8m	+£35.3m	+34.1% (£103.5m in 2017)
Mexico	£131.5m	+£20.5m	+18.5% (£111.1m in 2017)

Tax advantages

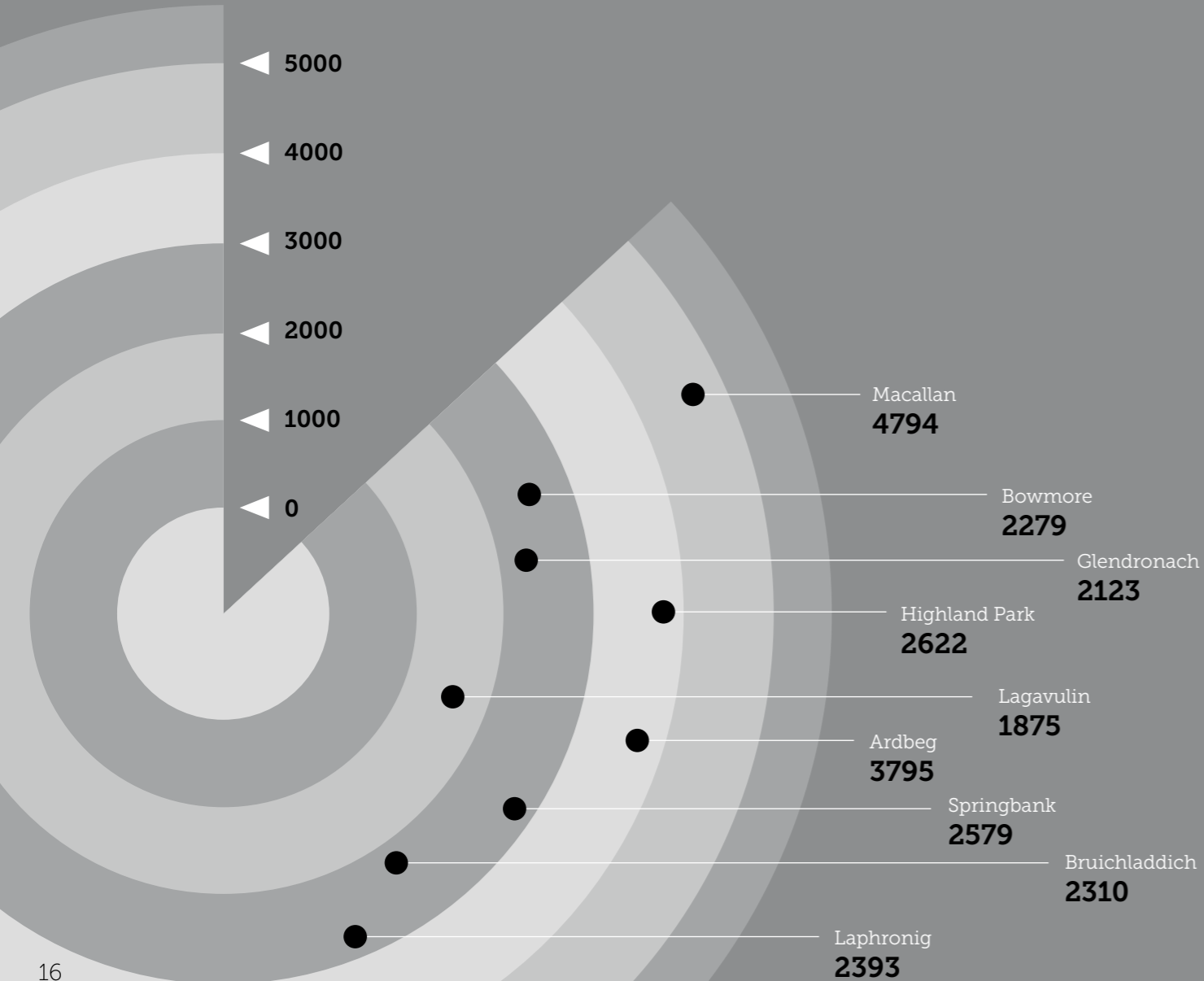
Investing in scotch may have tax advantages for investors. Whisky may be deemed a wasting chattel (meaning it is deemed that its useful life does not exceed 50 years), therefore the ABV of the spirit going into the barrel may influence tax considerations. Spirit going into the barrel at 78% to 90% ABV will last 50 years, as opposed to spirit going into the cask at 63% to 68% ABV which may not last 50 years.

It is worth noting that some commentators suggest any profits made on whisky sales that exceed limits set out by HMRC, may be subject to capital gains tax.

As everyone's tax situation will be different, we encourage individual discussions with a tax professional.

Brand value

Number of trades of bottles for most popular whisky brands over a year, 2017 Whisky Stats



Buying new make spirit from a major brand is extremely rare. Big brands such as The Macallan no longer need to sell new make spirit.

Whisky & Wealth Club does, however, deal with mature whisky brands similar to The Macallan.¹⁵ While buying a single cask of The Macallan's 25-year-old can be a great investment, **we feel there is more value in purchasing a premium spirit straight from the still while it is more affordable.** Our experts at Whisky & Wealth Club invest a significant amount of time carrying out due diligence and visiting each distillery. We need to understand its story, ownership structure and marketing plans to identify the distilleries which have the greatest upside potential for investors.

We work with a relatively small number of distilleries that meet our criteria. For example, Bladnoch, a 200-year-old distillery that recently changed ownership. The new owner has rebuilt this historic distillery, **restoring it to its former glory and has secured master distiller,** Dr. Nick Savage, who was previously master distiller at The Macallan.¹⁶

Bladnoch¹⁷ is technically a new distillery but with a strong history and recognised expertise to support it. Our model allows us to work with Bladnoch where Nick creates a signature whisky

exclusively for Whisky & Wealth Club's clients. This presents an extremely rare chance for investors to purchase new make spirit from one of the world's best distilleries and master distillers. In three to five years, a distillery like Bladnoch may not choose to sell new make spirit, because at that point it may want to ensure the exclusivity of the brand.

Holders of a quantity of these Whisky & Wealth Club exclusive casks may find themselves owning a selection of high-value and rare whisky casks.

Get in touch

Unlike a lot of cask investment firms or whisky brokers...

...we do not simply create a list of casks for sale and send that list out to potential investors with a mark-up. We deal directly with the distillery and can negotiate heavily discounted rates because we purchase in large volumes and sell direct to our clients.

We invite our clients to join our Whisky & Wealth Club team on our regular client distillery tours. This gives our investors an opportunity to see their own casks first-hand, once they have been laid to rest.

This tax-deductible trip to rural Scotland offers the chance to take a behind-the-scenes look at a commercial distillery, providing a rare opportunity to see where the magic takes place.

To speak with one of our wealth managers you can call
+44 (0) 203 129 1639

Footnotes

1. <https://www.rarewhisky101.com/indices/market-performance-indices/rw-apex-indices>
2. Visit Scotland, Scotland's Whisky Map, <https://www.visitscotland.com/see-do/food-drink/whisky/distilleries/>
3. <https://www.scotch-whisky.org.uk/insights/facts-figures/>
4. Ibidem
5. <https://www.scotch-whisky.org.uk/newsroom/scotch-whisky-exports-on-the-up-in-2018/>
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8. <https://www.rarewhisky101.com/bottle-brokerage/rare-whisky-101-bottle-brokerage-process> Copy before link
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12. <https://abcnews.go.com/International/biggest-scotch-whisky-export-market-now-us/story?id=61046742>
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14. <https://www.thedrinksbusiness.com/2019/02/us-first-to-become-a-billion-pound-market-for-scotch/>
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16. <https://www.thespiritsbusiness.com/2019/04/macallan-master-distiller-moves-to-bladnoch/>
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whiskywealthclub.com



WHISKY & WEALTH
CLUB

LONDON

51a George Street,
Richmond TW9 1HJ
United Kingdom

+44 (0) 203 129 1639

DUBLIN

20 Harcourt Street,
Dublin D02 PF99
Republic of Ireland

+353 (0) 1 437 8535

invest@whiskywealthclub.com