



W H I S K Y
Investment Partners

THE SPIRIT
OF INVESTMENT



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 three 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 £4.5bn per annum, Scotch Whisky represents 75% of all Scottish food and drink exports. That's 44 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 mettle 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.

44 BOTTLES OF SCOTCH WHISKY ARE SHIPPED FROM SCOTLAND AROUND THE WORLD EVERY SECOND

1.3BN THAT'S MORE THAN 1.3BN BOTTLES A YEAR

342,000KMS LAID END TO END, THOSE BOTTLES WOULD STRETCH 90% OF THE WAY TO THE MOON

£5.5BN
IN GROSS VALUE ADDED TO THE UK ECONOMY

75%
OF SCOTTISH FOOD & DRINK EXPORTS IS SCOTCH WHISKY

21%
OF ALL UK FOOD & DRINK EXPORTS IS SCOTCH WHISKY

1.4%
OF ALL UK EXPORTS IS SCOTCH WHISKY

SCOTCH WHISKY EXPORTS ARE WORTH
£4.5BN

11K OVER 11,000 PEOPLE IN SCOTLAND ARE EMPLOYED BY THE INDUSTRY

42K JOBS ACROSS THE UK ARE SUPPORTED BY THE INDUSTRY

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

3RD MOST POPULAR TOURIST ATTRACTION IN SCOTLAND

OVER 2M VISITORS TO SCOTCH WHISKY DISTILLERIES

22M CASKS LIE MATURING THROUGHOUT SCOTLAND

THERE ARE 137 OPERATING SCOTCH WHISKY DISTILLERIES ACROSS SCOTLAND



CASE STUDY: CASK WHISKY, THE SECRET INVESTMENT GOLDMINE

How a father's shrewd investment in cask whisky resulted in a 4,600% return and £225,000 windfall to pay off his mortgage and look at early retirement.



In June 2021, Whisky Investment Partners signed a sale agreement for £225,000 from a 59-year-old bank manager that made an investment in whisky casks back in 1994.

From his original £4,700 investment twenty-seven years ago (£3,200 and £1,500 for a Macallan and Tobermory cask), he has made a massive 4,600% return on his initial investment. Now able to pay off his mortgage and foreshorten his retirement by three years, the funds have also given him the opportunity for some much-deserved leisure time.

Happy with his investment decision, he has decided to invest some of his windfall into two more casks for his two children, in the hopes that they will be able to enjoy some of the same fortune he did in the future!

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 2.4% in 2019. 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 three to ten 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 and 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. The bottle of Macallan 1926 that went for \$1.5m? It was laid down for sixty years. That's a return of \$25k a year.

WHISKY

CASKS ARE
MOSTLY
BOTTLED
AFTER 7,
10 OR 15 YEARS

THE LONGER
THE WHISKY
MATURES,
THE SMOOTHER
AND RICHER ITS
FLAVOUR

ONCE IT'S
BOTTLED,
WHISKY 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 are 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 rates 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.

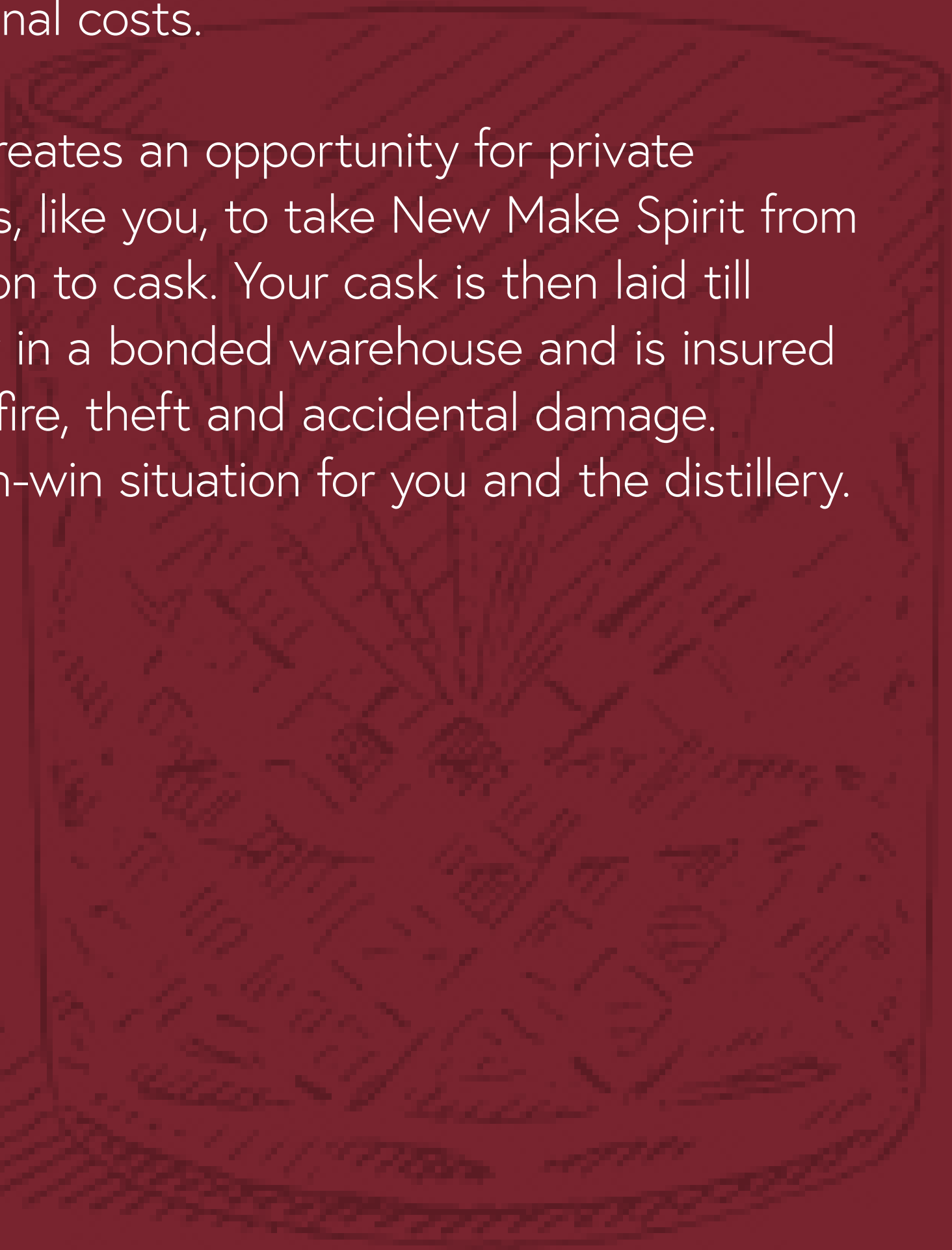
One of the things that makes Scotch Whisky a globally desired commodity, is the generations of expertise that goes into its production. Many distilleries are family owned and corporatising any family business runs the risk of killing its heart and soul. The very things that make it a great business.



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 and is insured against fire, theft and accidental damage. 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:

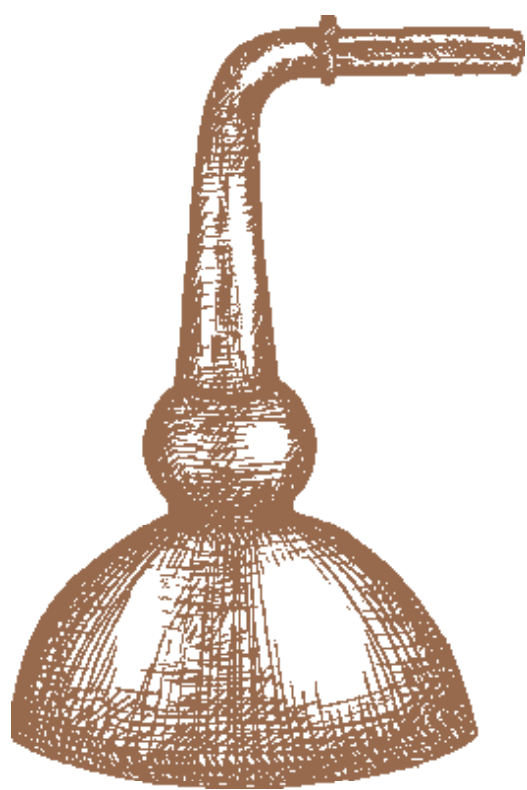
- You own individual casks 100% outright
- Casks are stored in secure government bonded warehouses
- You're not reliant on a single fund manager or company to perform
- If the distillery or the bonded warehouse goes bust, it has no impact on your investment
- There's no VAT to pay as duty is suspended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

HOW IT WORKS



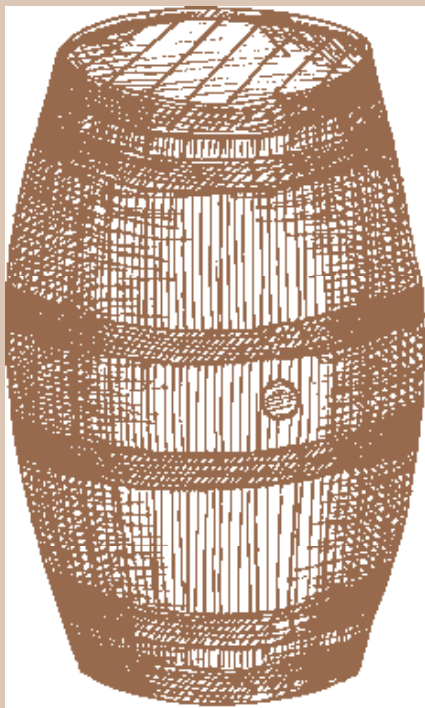
01.

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



02.

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



03.

You then wait anywhere from 3-15 years whilst your casks get more and more valuable.



04.

When you're ready to exit, you have one of six exit strategies. These 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.

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.

Blended Malts

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

Bonded Warehouse

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

Cask

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

Duty

A tax paid when taking a cask out of a bonded warehouse for bottling and selling 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 three years.

Re-Charred Cask

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

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.

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.

Whisky or Whiskey?

Whisky comes from Scotland whereas whiskey comes from Ireland.

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 three years of cask maturation, you can bottle it for your very own whisky.



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.



Gift it

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



Auctions

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



Whisky Brands

Whisky brand's 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.

FRAUD IN WHISKY CASKS IS VIRTUALLY NON-EXISTENT



HMRC's tight measures control the industry. Their processes make fraud at this stage practically impossible.

Yet fraud surrounding rare, bottled whisky and wine is commonplace. This is due to 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.

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

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.

Because of the high potential tax taken from alcohol, bonded warehouses are licenced by HMRC and are 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 a 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 stockist 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 to start investing in cask whisky.

CONTACT DETAILS

London Office

134-136 Buckingham Palace Road
London
SW1W 9SA



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 of whisky a much more attractive option.

WHAT IS A CASK?

A cask is the wood that whisky is stored in while it matures and it plays a critical role in developing flavours. Casks can come in all different sizes and wood types, but the most common type used for whisky is a 200l ex-bourbon barrel that was originally used to mature American Bourbon. However, whisky is regularly matured in other types of casks including sherry, wine and tequila, all of which bring their own flavours to the spirit.

WHAT IS FIRST FILL AND REFILL?

Casks can be described as 'first fill' or 'refill'. A 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?

Our cask sales are tailored to each client, so we offer both aged and new make casks. We look to include storage and insurance on purchases; however this does depend on which you choose so please make sure you read the description.

HOW IS SCOTCH WHISKY MADE?

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

After cask maturation, it becomes 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.

IS MY CASK INSURED?

Yes, your casks are fully insured from the start of your ownership. 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 (including accidental damage), full loss and theft and we give you insurance prepaid for a term.

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 (CGT). 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.

WHAT IS THE ANGEL'S 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 Angel's 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 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. Because of the high potential tax taken from alcohol, bonded warehouses are licenced and closely monitored by HMRC.

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 has 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, (which stands for Litre of Pure Alcohol - the measure used by the whisky industry to account for the alcoholic content of a spirit), 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 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.

