

RARE WHISKY | 101

RECORD SALES FOR RARE SCOTCH WHISKY AMID CONTINUED ECONOMIC UNCERTAINTY

THE 2017 HALF YEAR COLLECTORS AND INVESTORS SINGLE MALT SCOTCH REVIEW



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EXECUTIVE SUMMARY HALF YEAR 2017

Through the first half of 2017, the market for rare whisky has experienced unprecedented growth.

The number of bottles of Single Malt Scotch whisky sold at auction in the UK increased by 47.25% to 39,061 (H1 2016 26,527).

The £ value of collectable bottles of Single Malt Scotch whisky sold at auction in the UK rose by an exceptional 93.66% to an all-time half-year high of £11.176m (2016 £5.771m).

As would be expected, the average per-bottle price has risen to a new record of £286.13, up from H1 2016's £217.56 and FY 2016's £241.87.

The value of the broadest measurement of the market, the Apex 1000 Index, increased 11.50% from 505.98 points at the end of 2016 to 564.16 points at the 2017 mid-year point. This is broadly in line with 2016's HY increase of 11.78%.

The most expensive bottle of Scotch sold during the period was a 50-year-old Macallan in Lalique, which fetched £65,210 (up from previous best £17,000 in 2015).

The Macallan's secondary market dominance extends and it now accounts for almost £300 out of every £1,000 spent at auction in the UK. The brand now has a 12.71% share of all bottles sold and a staggering 28.90% share of the £ value (up from 10.26% and 21.85% respectively at the FY 2016).

Adding balance, the market continues to polarize as the broadest measure of non-performing rare whisky assets. The Negative 1000 Index, shows accelerating losses dipping -3.22% through the first half of 2017 (H1 2016 -0.83% and FY 2016 -0.13%).

Scotch leads Japanese in the investment stakes as the Icon 100 Index (a basket of 100 collectable bottles of Scotch whisky) increases 6.56% but the Japanese Icon 100 Index (a basket of 100 collectable bottles of Japanese whisky) re-traces by -4.41% at the half year.

Despite a broader dip in values for Japanese whisky, a bottle of Karuizawa 1960 was sold for £100,100 in April 2017, setting a new UK and European record price for a bottle of whisky.



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SUPPLY AND DEMAND

The volume of bottles of rare, desirable whisky sold on the open UK auction market is at an all-time high. We continue to see online and traditional whisky retailers starting their own auctions in order to compete in an increasingly crowded space. The days of retailers being able to snap up private collections at less than market value, add on a hefty margin and retail them, are now long gone. The transparency of pricing means retailers either try and compete or exit the secondary market and focus entirely on new releases.

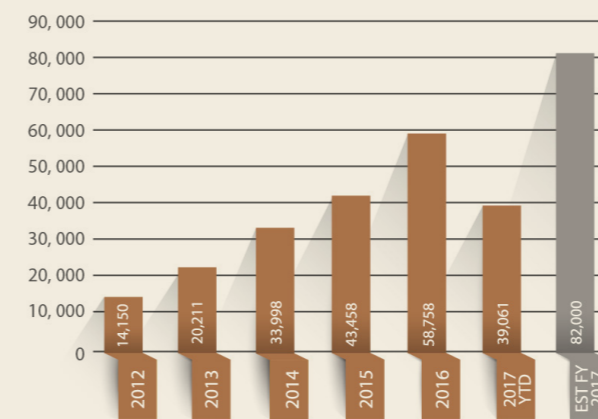
There appears to be seemingly limitless demand for, and interest in, the old, rare and exclusive bottles of Scotch no longer available through traditional retail outlets.

No matter how many bottles are sold at auction, demand continues to outstrip supply.

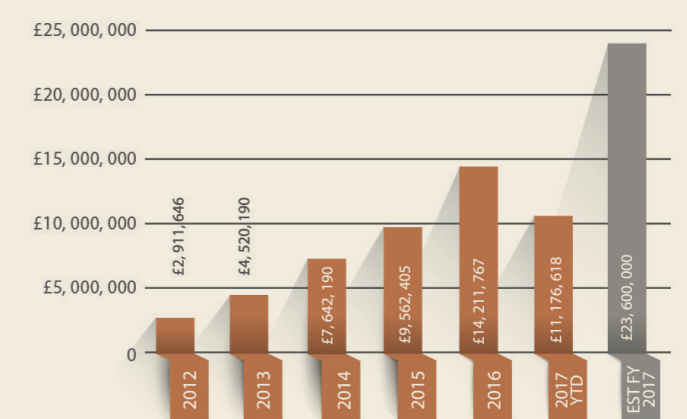
Compared to the same six months last year, H1 2017 has seen almost a 50% increase in volumes but almost a 100% increase in the £ value of bottles sold.

Full year 2017 is expected to be another record breaker as the charts and forecasts show.

VOLUME



TOTAL VALUE



As an indication of the pace of growth, over the past four months of 2017 (March, April, May and June inclusive), we have seen more than 6,000 bottles sold each month. The annual total for the whole of 2010 was 5,531.

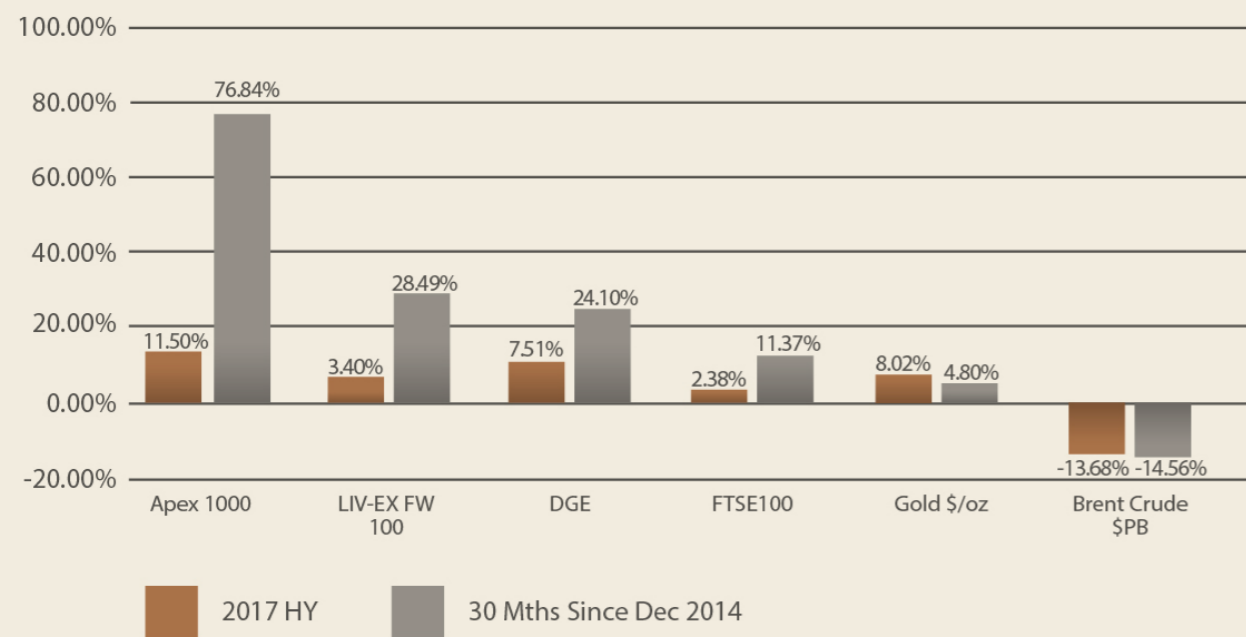
We anticipate approximately 82,000 bottles worth an estimated £23.6 million to be sold through the whole of 2017.

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INVESTMENT COMPARISON

This comparison started at the end of 2015, comparing performance figures from the 31st of December 2014 to the same date in 2015. We continue to provide these as a running commentary on Scotch whisky's performance as an alternative asset-class in its own right.

SIX-MONTH YEAR TO DATE FIGURES ARE CHARTED BELOW ALONGSIDE THE TWO AND A HALF YEAR RUNNING TOTAL



Longer term, the Liv-Ex Fine Wine 100 out-performs all but Scotch, while Diageo out-performs the broader traditional equities market. Solid gold, as opposed to liquid gold, comes in a close second over the 2017 HY; however, Scotch remains well and truly at the helm from a pure investment perspective over both the first six months of 2017 and the longer term.



RARE WHISKY 101 MARKET SHARE - VOLUME

Each distillery is measured according to its percentage market share of the number of bottles sold on the open market. This is then ranked as a league table and compared to the full year 2016.

From a collectors/investors perspective, volume is somewhat irrelevant; however it illustrates broader trends in demand. Bottles from The Macallan are the most heavily traded in the current market, experiencing almost twice the number of sales compared to second placed Ardbeg and around three times the sales of Bruichladdich, Bowmore and Laphroaig.

Putting the sherry cask-matured icon aside, the next five out of the top six volume-sales distilleries are from the Isle of Islay. In-fact every distillery on Islay features in the top 23. In this top 30 the Islay malts account for 27.95% with Speyside a close second on 25.99%. Someone once said “peat is just a fashion” (meaning it could/would go out of fashion at some point); the secondary market data illustrates that peat is the most in-demand style of Scotch rather than just a fashion!

Surprises in the mix are Glenmorangie, down four places and Mortlach down three. Mortlach’s demise across most league tables and ranks will be mentioned later in the report.

TOP 30 DISTILLERIES LEAGUE TABLE

FY 2016	% OF TOTAL	RANK	HY 2017	% OF TOTAL	CHANGE
MACALLAN	10.26%	1	MACALLAN	12.71%	=
ARDBEG	7.27%	2	ARDBEG	6.41%	=
BRUICHLADDICH	4.34%	3	BRUICHLADDICH	4.67%	=
GLENMORANGIE	4.34%	4	BOWMORE	4.47%	UP 1
BOWMORE	4.12%	5	LAPHROAIG	3.68%	UP 4
LAGAVULIN	3.92%	6	LAGAVULIN	3.61%	=
HIGHLAND PARK	3.45%	7	HIGHLAND PARK	3.55%	=
ARRAN	3.16%	8	GLENMORANGIE	3.26%	DOWN 4
LAPHROAIG	3.07%	9	GLENFIDDICH	3.19%	UP 1
GLENFIDDICH	2.97%	10	ARRAN	3.17%	DOWN 2
SPRINGBANK	2.65%	11	SPRINGBANK	3.07%	=
GLENDRONACH	2.54%	12	GLENDRONACH	3.03%	=
BALVENIE	2.42%	13	BALVENIE	2.52%	=
CAOL ILA	1.63%	14	GLENFARCLAS	1.88%	UP 1
GLENFARCLAS	1.61%	15	CAOL ILA	1.67%	DOWN 1
GLENLIVET	1.52%	16	GLENLIVET	1.59%	=
DALMORE	1.41%	17	ABERLOUR	1.56%	UP 3
KILCHOMAN	1.41%	18	PORT ELLEN	1.45%	UP 1
PORT ELLEN	1.33%	19	DALMORE	1.04%	DOWN 2
ABERLOUR	1.24%	20	TALISKER	1.03%	UP 2
ROSEBANK	1.09%	21	KILCHOMAN	1.00%	DOWN 3
TALISKER	1.07%	22	ST MAGDALENE	1.00%	UP 35
BUNNAHABHAIN	1.02%	23	BUNNAHABHAIN	0.98%	=
MORTLACH	0.89%	24	ROSEBANK	0.94%	DOWN 3
GLENGOYNE	0.79%	25	GLEN GRANT	0.87%	UP 4
GLENROTHES	0.77%	26	LONGROW	0.87%	UP 7
LITTMILL	0.75%	27	MORTLACH	0.85%	DOWN 3
SCAPA	0.75%	28	GLENROTHES	0.81%	DOWN 2
GLEN GRANT	0.71%	29	JURA	0.80%	UP 3
BRORA	0.70%	30	GLENGOYNE	0.77%	DOWN 5



RARE WHISKY 101 MARKET SHARE - VALUE

Used in conjunction with volume, the £ value 'share of wallet' figures can be insightful for the collector/investor. If volume for a particular distillery remains static or increases and the £ value declines, this could signal a softening of demand in the market for bottles from that distillery.

Conversely, if volumes decrease but values increase or remain the same, this could indicate a hardening of prices and increasing demand. A good example, and one which could be expected, is Rosebank – down three places in terms of volume, but up two places in the value league. Fewer bottles (as a % of the market, not necessarily a pure number) are selling for more money.

Mortlach, is again highlighted - dropping eight places, almost exactly halving their share-of-wallet from 1.19% in 2016 to 0.6% at the 2017 half year point. We continue to hear murmurings of dissatisfaction from the market, mainly around the relatively recently released 50cl (rather than 70cl) bottles being seen as a way of increasing prices and removing value for the buyer. Has this perception of value-removal resulted in the secondary market turning its back on Mortlach? Its attempt to create a 50cl luxury range has not, as yet, positively impacted sentiment in the secondary market – maybe connoisseurs, collectors and investors don't see any value in this once stunning single malt.

We've mentioned The Macallan earlier; however, selling 4.75 times more value than second placed Bowmore, has to be highlighted. Much of The Macallan's volume increase can be put down to discontinued recent low age bottles and non-age bottles being traded. But the £ value share increase is staggering. The Macallan's average price per bottle sold on the secondary market has increased from 2016's £514.92 to £650.45. A 26.32% increase is vast when you're turning a tanker like Macallan.

Worthy of note, and further analysis, are the traditional sherry-cask-heroes, GlenDronach and Glenfarclas, each up three places at the half year. We know Macallan's back-book of vintage sherry cask-matured stocks have recently increased in value, but are GlenDronach and Glenfarclas taking a share of contemporary (less sherried) Macallan bottlings?

TOP 30 DISTILLERIES LEAGUE TABLE

FY 2016	% OF TOTAL	RANK	HY 2017	% OF TOTAL	CHANGE
MACALLAN	21.85	1	MACALLAN	28.90	=
ARBEG	6.89	2	BOWMORE	6.08	UP 1
BOWMORE	5.53	3	ARBEG	6.03	DOWN 1
PORT ELLEN	4.34	4	PORT ELLEN	4.43	=
HIGHLAND PARK	3.79	5	LAGAVULIN	3.52	UP 1
LAGAVULIN	3.54	6	HIGHLAND PARK	3.49	DOWN 1
GLENFIDDICH	3.51	7	LAPHROAIG	3.29	UP 1
LAPHROAIG	3.10	8	BALVENIE	3.02	UP 1
BALVENIE	2.88	9	SPRINGBANK	2.88	UP 1
SPRINGBANK	2.69	10	BRUICHLADDICH	2.62	UP 3
DALMORE	2.50	11	GLENFIDDICH	2.61	DOWN 4
BRORA	2.44	12	GLENDRONACH	2.44	UP 3
BRUICHLADDICH	2.44	13	GLENFARCLAS	2.40	UP 3
GLENMORANGIE	2.33	14	BRORA	1.79	DOWN 2
GLENDRONACH	2.13	15	GLENMORANGIE	1.68	DOWN 1
GLENFARCLAS	2.01	16	DALMORE	1.43	DOWN 5
ARRAN	1.25	17	ARRAN	1.22	=
MORTLACH	1.19	18	ROSEBANK	1.10	UP 2
GLENLIVET	1.07	19	CAOL ILA	1.08	UP 3
ROSEBANK	1.06	20	ST MAGDALENE	1.06	UP 6
TALISKER	1.04	21	GLENLIVET	0.96	DOWN 2
CAOL ILA	0.98	22	TALISKER	0.92	DOWN 1
GLEN GRANT	0.75	23	GLEN GRANT	0.89	=
BUNNAHABHAIN	0.74	24	CLYNELISH	0.71	UP 3
LITTLEMILL	0.57	25	BUNNAHABHAIN	0.65	DOWN 1
ST MAGDALENE	0.54	26	MORTLACH	0.60	DOWN 8
CLYNELISH	0.50	27	GLENGOYNE	0.58	UP 2
ABERLOUR	0.49	28	ABERLOUR	0.54	=
GLENGOYNE	0.48	29	GLENROTHES	0.51	UP 3
KILCHOMAN	0.47	30	LONGMORN	0.39	UP 4

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COLLECTORS' RANKINGS

The collectors' ranking is a league table based on an equal weighting for Volume and Value sold at auction in the UK using all data from the entire database rather than purely six months or annually.

RANK	Q4 2016	Q2 2017	MOVEMENT (HALF YEAR 2017)
1	Macallan	Macallan	=
2	Ardbeg	Ardbeg	=
3	Bowmore	Bowmore	=
4	Highland Park	Highland Park	=
5	Bruichladdich	Bruichladdich	=
6	Glenfiddich	Glenfiddich	=
7	Lagavulin	Lagavulin	=
8	Glenmorangie	Glenmorangie	=
9	Port Ellen	Laphroaig	UP 2
10	Springbank	Port Ellen	DOWN 1
11	Laphroaig	Springbank	DOWN 1
12	Balvenie	Balvenie	=
13	Arran	GlenDronach	UP 1
14	GlenDronach	Arran	DOWN 1
15	Glenfarclas	Glenfarclas	=
16	Glenlivet	Caol Ila	UP 1
17	Caol Ila	Glenlivet	DOWN 1
18	Dalmore	Dalmore	=
19	Brora	Brora	=
20	Talisker	Rosebank	UP 1
21	Rosebank	Talisker	DOWN 1
22	Bunnahabhain	Mortlach	UP 2
23	Kilchoman	Aberlour	UP 3
24	Mortlach	Bunnahabhain	DOWN 2
25	Glen Grant	Kilchoman	DOWN 2
26	Aberlour	Glen Grant	DOWN 1
27	Glengoyne	Glengoyne	=
28	Clynelish	Clynelish	=
29	Linkwood	Glenrothes	UP 1
30	Glenrothes	Linkwood	DOWN 1

The top eight remain the same, with Laphroaig entering the top ten for the first time and confirming the surging demand for heavily peated Scotch. Conflictingly, Mortlach moves up two places: however, the collectors' index covers the whole database rather than the short term six month picture with the previous volume and value charts.

Highlighting the popularity of sherried malts, GlenDronach and Aberlour both advance in the collectors' index.

Glenrothes could prove an interesting collectable now the brand has been bought back by Edrington. Can they turn what was looking a somewhat beleaguered brand into something special? There's a nice fit into Edrington and there's very little internal competition with The Macallan, Highland Park and Glenturret. Some interesting limited editions could quickly see Glenrothes as an increasing target for collectors.



RARE WHISKY 101 INVESTOR RANKINGS

The Investors' distillery ranking is based 80% on the pure % increase in value for all bottles, with a small 10% weighting on the highest average price (all bottles) and the overall highest price (10%) of a single bottle.

This table can highlight the brands that suddenly become hot - or icy cold - and acts as an early warning indicator to the astute buyer of where to focus.

RANK	Q4 2016	Q2 2017	MOVEMENT (HALF YEAR 2017)
1	Brora	Brora	=
2	Macallan	Macallan	=
3	Dalmore	Killyloch	UP 1
4	Killyloch	Dalmore	DOWN 1
5	Port Ellen	Bowmore	UP 1
6	Bowmore	Ben Wyvis	UP 32
7	Convalmore	Port Ellen	DOWN 2
8	Mortlach	Springbank	UP 9
9	Ardbeg	Ardbeg	=
10	Balvenie	St Magdalene	UP 1
11	St Magdalene	Rosebank	UP 14
12	Glen Grant	Glenury Royal	UP 2
13	Dallas Dhu	Balvenie	DOWN 3
14	Glenury Royal	Convalmore	DOWN 7
15	Glenlochy	Dallas Dhu	DOWN 2
16	Talisker	Lochside	UP 4
17	Springbank	Glengoyne	UP 38
18	Millburn	Glenfarclas	UP 6
19	Lagavulin	Talisker	DOWN 3
20	Lochside	Glenlochy	DOWN 5
21	Banff	Glen Garioch	UP 1
22	Glen Garioch	Banff	DOWN 1
23	Highland Park	Glen Grant	DOWN 11
24	Glenfarclas	Mortlach	DOWN 16
25	Rosebank	Millburn	DOWN 7
26	Glenugie	Glenesk/Hillside	UP 12
27	Jura	Highland Park	DOWN 4
28	GlenDronach	Glenugie	DOWN 2
29	Brackla	Laphroaig	UP 11
30	Clynelish	Clynelish	=



Brora is still stubbornly preventing Macallan from a clean sweep in the collectors and investors distilleries and Dalmore drops out of the top three for the first time since September 2014. Is the strikingly bold pricing of some recent releases from Dalmore having an impact on the patience and the wallet of buyers? £6,000 for the recent release 40-year-old is 20% higher than the recent Macallan 40-year-old at £5,000 and the £50,000 for Richard Paterson's fifty-year-old seems ambitious.

Glengoyne has seen a transformational change, moving up 38 places. This is down to the 1960's and 1970's vintage bottlings and single casks almost doubling in price, further highlighting the importance placed on older vintages and limited edition releases.

Featuring as the half-years largest re-trace, Mortlach pulls back 16 places. With such good spirit, a(nother) refresh of the brand and some new interesting releases (in full-sized bottles at sensible prices) this could easily be reversed. Bring back the Beast!

At the end of 2016 we reported a dip in interest for bottles from many silent stills. We're still seeing significant volatility, with Rosebank cementing itself as one of the big three - joining Port Ellen and Brora, while Glenlochy, Millburn and Convalmore all move down significantly. Ben Wyvis's huge move is due to their being so few bottles on the open market and any sale can result in a "spiky" performance.



RARE WHISKY 101
STANDOUT BOTTLES OF 2017

Earlier this year a bottle of The Macallan's first release 50-year-old Lalique decanter set a new record price for the brand and also the category.

The kudos of most expensive bottle of Scotch ever to sell at auction in the UK previously belonged to Bowmore (£61,000), but that was closely beaten by Macallan's £64,210. This is also the most expensive standard (70cl) sized bottle from Macallan (the world record 6-litre M decanter held the equivalent of 8.57 standard 70 cl bottles).

Rarely featured in these reports, Bruichladdich had one of the standout performers of the half year when a bottle of the 1960 vintage 100 proof (cask 1043, bottled September 1973) sold for £7,100 at Whisky.auction in London. The first time this bottle appeared on the UK open market it sold for just £380 at Bonhams in Edinburgh in 2008. That equates to a 1,768.42% increase in value and is the most expensive bottle of Bruichladdich ever to sell on the UK market.

Worthy of note at the half year 2016, there were three bottles which had shown an increase in value by more than 1,000%. At the half year 2017 that number has increased to 32.

The more recently released distillery exclusive Balvenie TUN 1401 Batch 1 sold at Scotch Whisky Auctions for a record £3,800 crystalizing a 1,490.02% increase over its first auction appearance in 2010 of £238.99. Take its original 2010 retail price of £150 and the yield increases to 2,433.33%.



RARE WHISKY 101
CRYSTAL BALL GAZING AT THE HALF YEAR

Bottles

Never has the secondary market for rare whisky been so strong. With an expectation that the value of Scotch sold at auction in the UK breaks £20m for the first time in 2017, the immediate horizon also looks increasingly positive.

At a brand level, individual producers are continually pushing prices of their premium aged stock - Dalmore's £6,000 RRP ask for their 40-year-old is a good example. Couple this primary market price inflation with increased global demand and declining stocks of discontinued bottles, and we still look to be in the 'perfect storm' for the right bottles to continue to appreciate in value.

Could the current buoyancy come to an end?

Of course it could. The 2008 banking crisis, which almost financially ruined the UK, shows all things are possible with investments.

But right now, the right bottles of Scotch seem to be in ever increasing demand. With so little significantly aged stock still maturing in the cask, it's unlikely we'll see any/many prices for rarities easing from brand owners; certainly not for the short or medium term.

It's also not necessarily about the price of primary market retail stock either, it's about the desirability of long discontinued rarities. Many of these have now acquired almost legendary status among collectors and connoisseurs - Bowmore Bouquet, Macallan's 1960's and 1970's eighteen-year-olds, Laphroaig 10-year-old from the 1970's and earlier, to name just a few. These are now highly sought after, exhibiting a different style of flavour to many contemporary releases.

In real terms, the scarcity of collectors' pieces is increasing; the heavily fought for gems, are becoming rarer. Take the Macallan 1946 52-year-old - there were 13 bottles sold at auction in the UK in 2015, an equal 13 bottles sold in 2016 and (despite a general increase in supply of 47.25% through 2017) we have only seen five bottles hit the open market so far this year. Scant surprise prices are increasing.

Scotch's lengthy bull-run clearly looks like it wants to continue. To add balance, on the sidelines, but worth keeping a close eye on, is a significant dip in prices for the least desirable bottles with the Negative indices continuing deeper into red territory. In May 2012 a bottle of Glengoyne 'Fly-Fishing' sold for £500. In June 2017 a bottle sold for just £46; a loss of 90.8% and a clear reminder that selecting the wrong bottle can be as punishing as any investment.

For now, we remain optimistic about Scotch's credentials as an alternative investment... but only, as we always state, for the right bottles.



RARE WHISKY 101

CRYSTAL BALL GAZING AT THE HALF YEAR

Barrels

Earlier in 2017 Rare Whisky 101 launched a new bespoke cask brokerage service to meet an increased demand we were experiencing from our current client base seeking rare whisky still held in wood.

With demand for Scotland's rare liquid gold showing no signs of abating, and demand exceeding supply in the bottle auction channel, unsurprisingly, some of the world's leading whisky hunters are now casting the net ever wider to include casks.

Over recent months RW101 have already brokered casks (barrels, hogsheads and butts) from a range of iconic brands including Ardbeg, Laphroaig, Macallan, Highland Park, Rosebank and Springbank. In total, if bottled at cask strength, the new owners would be able to fill 13,576 bottles worth a total of £3.574M.

Prices have ranged from £2,500 per cask to over £500,000, with an average cask price of £132,000.

We continue to believe that there are a small number of casks in existence, which, if they came up for sale today, could fetch well over £1 million.

While we have always advised our customers against buying casks of new-make spirit, we believe that the market for older casks of quality liquid from top tier distilleries will continue to go from strength to strength.



Our clients have four compelling reasons for seeking out rare whisky in wood:

1. to satisfy their connoisseur curiosity – consuming unique bottlings.
2. acquisition of single cask rarities to add to their collections.
3. bespoke gift giving to colleagues and associates.
4. and given the competitive secondary market, with many prices hardening, they see attractive value in casks as an investment.

However, while the market for casks is gathering pace, we would warn owners of the dangers of holding onto casks for too long. Many people assume that as long as their whisky is stored in cask in a bonded warehouse, no harm can come to it. However, that couldn't be further from the truth. There is most definitely a finite time in which to sell a cask. We recently saw a 50-year-old cask that had dropped way below the legal minimum of 40% alcohol to 28% and was subsequently deemed worthless!

Casks can leak and become overly-woody so cask owners should ensure that their casks are checked with reasonable regularity."

We would encourage any owners, even if they don't want to sell, to get their casks re-gauged, sampled and valued.



RARE WHISKY 101
CRYSTAL BALL GAZING AT THE HALF YEAR

Fakes and Fraudsters

As reported previously we continue to see an increasing number of fake bottles circulating in the market.

Our 'eyes on' brokerage service is able to root out many fakes and provides our clients with a greater degree of confidence. We would implore that others in the market do what they can to identify any rogue bottles.

In the half year we were invited by numerous bottle owners and auction houses to assess some "dodgy" bottles. Patterns are emerging on what is being done and how. We don't want to report here how to spot a fake as it will give the fraudsters insight that they can use to enhance their duplicitous activities but we are happy to (and continue to) share this with other professionals in the rare whisky sector.

As with any purchase, we would recommend that each buyer does their research, assesses the bottle and its packaging presentation, and where they can afford to do so, send some of the liquid for technical evaluation and/or carbon dating. If you do have a pre 1900's bottle we suggest it worth extracting a sample to prove if it is genuine or not (most likely not) and even if the bottle has been opened, if you can prove the whisky was distilled pre 1900 you have some very valuable whisky to enjoy...

Caveat emptor - Buyer Beware - As is always the case with a deal too good to be true...it is and the acquisition of a rare bottle for well below its true market value should be avoided!

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