

# E&M Global Investments

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## **Whiskey cask investments are proving popular with investors looking to diversify their portfolio through to those investing long term for their retirement, as Gary Schroeder of the Whiskey and Wealth Club explains.**

- Casks of whiskey are fast becoming the go-to investment for people looking to hedge against inflation and the uncertainties of the financial markets. Investors are increasingly turning their attention to alternative investments as a whole. With the COVID-19 outbreak and the resulting crash of global stock markets, we have seen an increased appetite from private investors and funds. With many seeking asset backed investments to diversify their portfolio.

The value of whiskey as an investment has risen significantly over the last decade. According to [Knight Frank's Wealth Report 2020](#), the value of rare whiskey has risen by 564% in the last 10 years. By comparison, the value of classic cars rose by 194%, fine art by 141% and wine by 120%.

Globally, whiskey sales are rising, with market values on the up. Irish whiskey for example is the fastest growing premium spirit in the world according to the IWSRIWSR, the global benchmark for spirit data. Exports have grown [by 300% in the last decade](#), with the US market for Irish whiskey worth \$1bn alone.

Scotch whisky on the other hand has the largest market share, is the most valuable and has nearly a century of stability and pricing data. It currently accounts for over 20% of the UK's total food and drinks exports. Global Scotch Whisky exports grew by 4.4% to £4.91bn in 2019, according to [The Scottish Whisky Association](#).

## **How does cask whiskey investment work?**

Cask whiskey investment offers private investors, whether it be individuals or funds, the opportunity to purchase casks of new-make spirit, made freshly off the still. Distilleries will produce new make spirit, which then has to be transferred into casks for maturation. Whiskey must be aged, ideally between five to 10 years, or longer during which, its value increases year on year. As part of the cask whiskey investment world, you can also buy casks from whiskey brokers that have been pre-aged. We source "new make" whiskey straight off the still as it offers the best value for our investors.

The whiskey making process itself is capital and labour intensive. Which is not always a great model for distilleries. Making them wait years to sell their whisky to make profits, due to the ageing process. To help cover these costs and raise capital, distilleries will sell a small percentage of their new make production under exclusive contracts to a whiskey broker such as Whiskey & Wealth Club. Private investors can purchase these casks, either directly, or through an exclusive broker at up to 55% off the distillery rate.

Casks are stored in a fully insured government bonded warehouses whilst they mature and increase in value. When investors are ready to sell and exit the investment, they can use a whiskey broker to facilitate the sale of their casks. With the insurance on each 200 litre cask whiskey increasing year on year in line with the value, their downside is covered. The ownership and titles are held by the investor as the asset owner who can then sit on them until such a time as they wish to exit. Good whiskey brokers will include five to ten years of storage and full insurance as part of the investment.

## **The rise of whiskey as an alternative investment**

In March, global stock markets posted the biggest falls since the 2008 financial crisis. Resulting in significant losses for those invested in global markets.

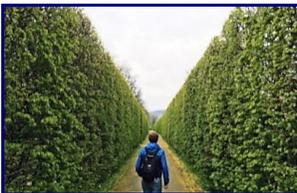
With whiskey being asset backed, it does not rely on the financial markets, nor is it susceptible to macroeconomic shocks as traditional markets currently are. Removing the impact of economic downturn, whether regional or global, such as the current pandemic.

Previously, whiskey investment was largely done with private collections and rare bottles. In the run up to the 2008 financial crisis there was an upward trend of high and ultra-high net worth individuals hedging their bets against the markets which were set to implode. Whilst these ultimately proved to be valuable investments it a costly exercise, typically reserved for high and ultra-high net worth individuals. This was also the case if investors were wishing to purchase casks direct from distilleries.

## **How secure is whiskey investment and what the future looks like?**

If we were to cast our eyes back through the history books, we could see that the whiskey industry has taken hits globally. Events such as The First World War, American Prohibition and The Second World War all impacted the whiskey industry. Yet the demand for the spirit continues to grow. Scotch whisky reached record global sales in 2009 despite the global recession, while Ireland currently has its largest number of distillers for over a hundred years.

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Whiskey's value is determined by its age. The older it is, the greater its value. As a result, any stock that is purchases will rise as the whiskey matures. IDL, Ireland's largest distiller, which produces the world-famous Jameson brand tracks the annual increase on its maturing stock at uses 18% pa.

Globally, demand for whiskey is on the rise, from **markets across the globe**. Forecasts show that demand will continue to grow. As the market is extremely liquid, should investors wish, they could sell a shorter time, there will always be buyers looking to secure already mature stock, whether these be fellow investors or private labelling companies. We believe that whiskey is currently the most secure alternative investment on the market today.

**For more information and Investment into Whiskey opportunities, please contact Tony Eccles via our website client link provided.**