



# MID YEAR REPORT 2020 WHISKY CASK MARKET OVERVIEW

EXAMINING AN EXCEPTIONAL HALF-DECADE  
FOR SALES OF SCOTCH WHISKY CASKS

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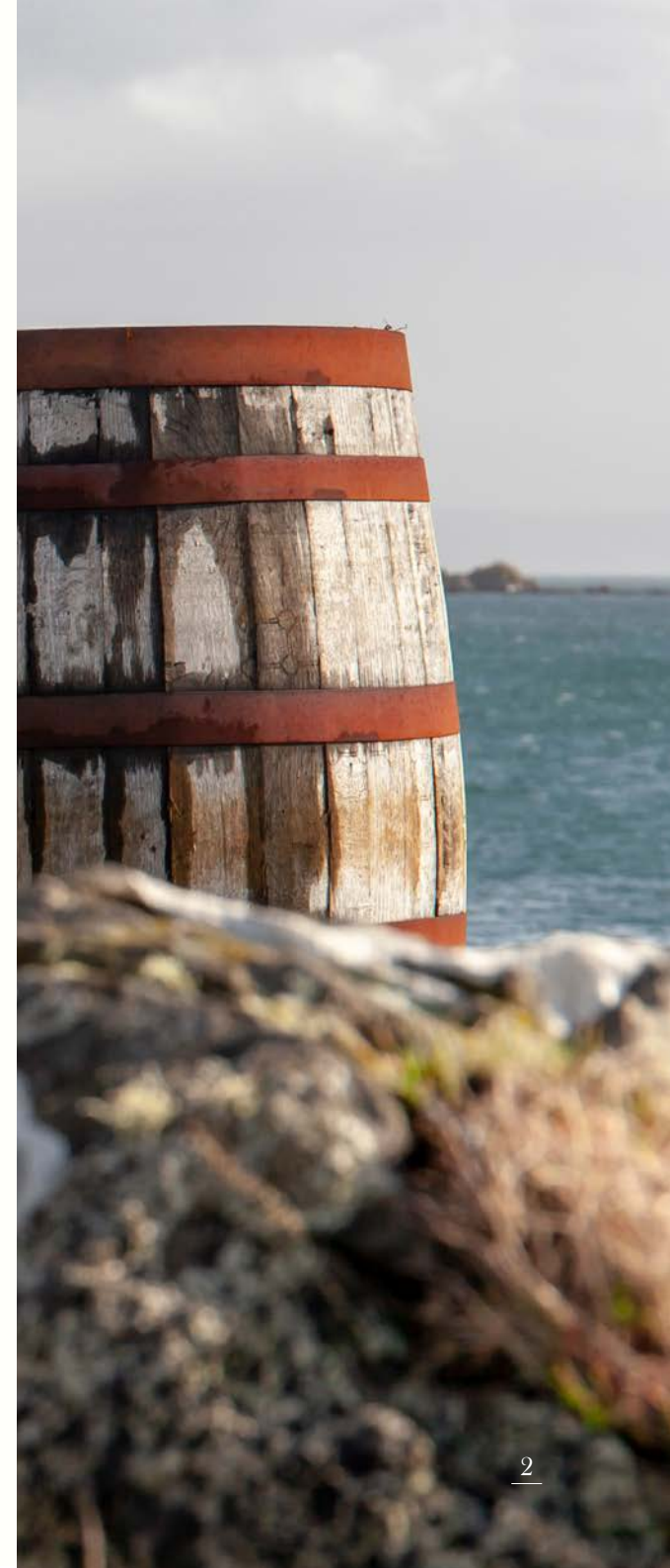
Cask sales data collated by *Cask 88* and *Braeburn Whisky*  
Compiled with support from *Johannes Moosbrugger (WhiskyStats.net)*

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Though whole barrels of whisky have been traded within the industry in *Scotland* for many decades, it is only in the last few years that private collectors have started purchasing casks in significant numbers. This burgeoning market within the industry offers unique experiences, often shared across generations and across continents, bringing great enjoyment, satisfaction, deep connections; and now, the research indicates, a sound and stable investment.

At *Cask 88*, we have been guiding our clients through the exciting world of cask investment since the early days of the market, and are proud to present these insights which cast new light on the whisky cask landscape. Exploring the weighting of distillery, region and cask type on the growth of the index, our report will likely prove a handbook for any whisky enthusiast who wants to learn more about the industry and the direction it is moving in.

Patrick Costello  
*Managing Director*  
*Cask 88*



At *Braeburn Whisky*, we are committed to offering the kind of investment that gives our clients peace of mind, and so it is reassuring that this report confirms what we have witnessed anecdotally over recent years: that the whisky cask market is experiencing positive and stable growth. This growth has continued even in spite of the COVID-19 pandemic that has captivated global markets for the first half of 2020.

With the uncertainty in the world today, it's more important than ever to create a portfolio of wealth that performs independent of outside forces and is safeguarded from the volatility in the global economy. Investment in whole casks of whisky is a strategy that helps investors both build and safeguard their wealth, while providing a diversified approach to investing. Though the world has turned a weary corner, one thing is for certain: whisky casks remain a lucrative and sound investment opportunity.

Samuel Gordon  
*Managing Director*  
*Braeburn Whisky*



# EXECUTIVE SUMMARY

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## KEY POINTS

- ◆ *The BC20 Whisky Cask Index* shows robust average annual growth of 13.09%, continuing on a steady upward trajectory throughout the first half of 2020, in spite of global economic downturn.
- ◆ *Top 10 Whisky Distilleries* show projected 13 – 20% returns annually, and investors who select casks from distilleries towards the top of the *Distilleries League Table* can be projected to double their initial investment over the course of 5+ years.
- ◆ *Laphroaig* tops the *Distillery League Table for Casks*, showing an average of 19.88% projected annual capital growth, followed closely by *Bunnahabhain* and *Staoisha*. Every distillery in the index has shown positive projected capital growth.
- ◆ Casks see a larger percentage increase in value during their younger years, though in terms of actual monetary returns per cask, larger increases will occur during later stages of maturation.
- ◆ Ex-sherry casks are significantly more valuable than ex-bourbon casks containing whisky of the same age, and aged grain whisky appears to be an under-valued asset.

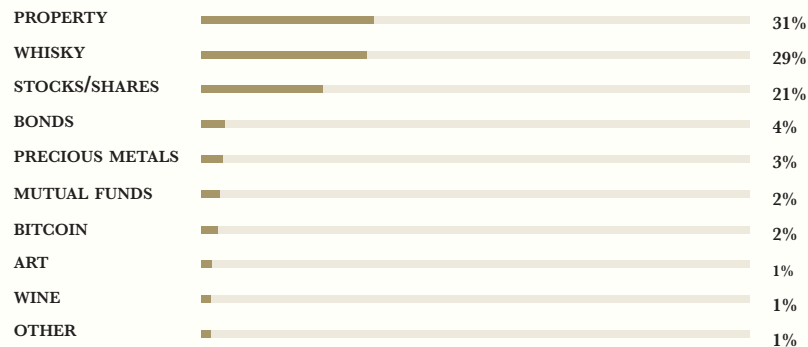




# PROPERTY AND WHISKY ARE MILLENNIAL TOP INVESTMENT CHOICES

The year 2020 will be remembered as an unprecedented time in history for many reasons, one of the most significant events being the dramatic impact of COVID-19 on the world economy. As traditional investment assets have lost some of their appeal, seasoned and first-time investors have sought out ways to protect their wealth by investing in tangible assets that are not tied to financial markets and show greater resilience in the face of economic uncertainty.

## WHERE WOULD YOU MOST LIKELY INVEST YOUR MONEY?



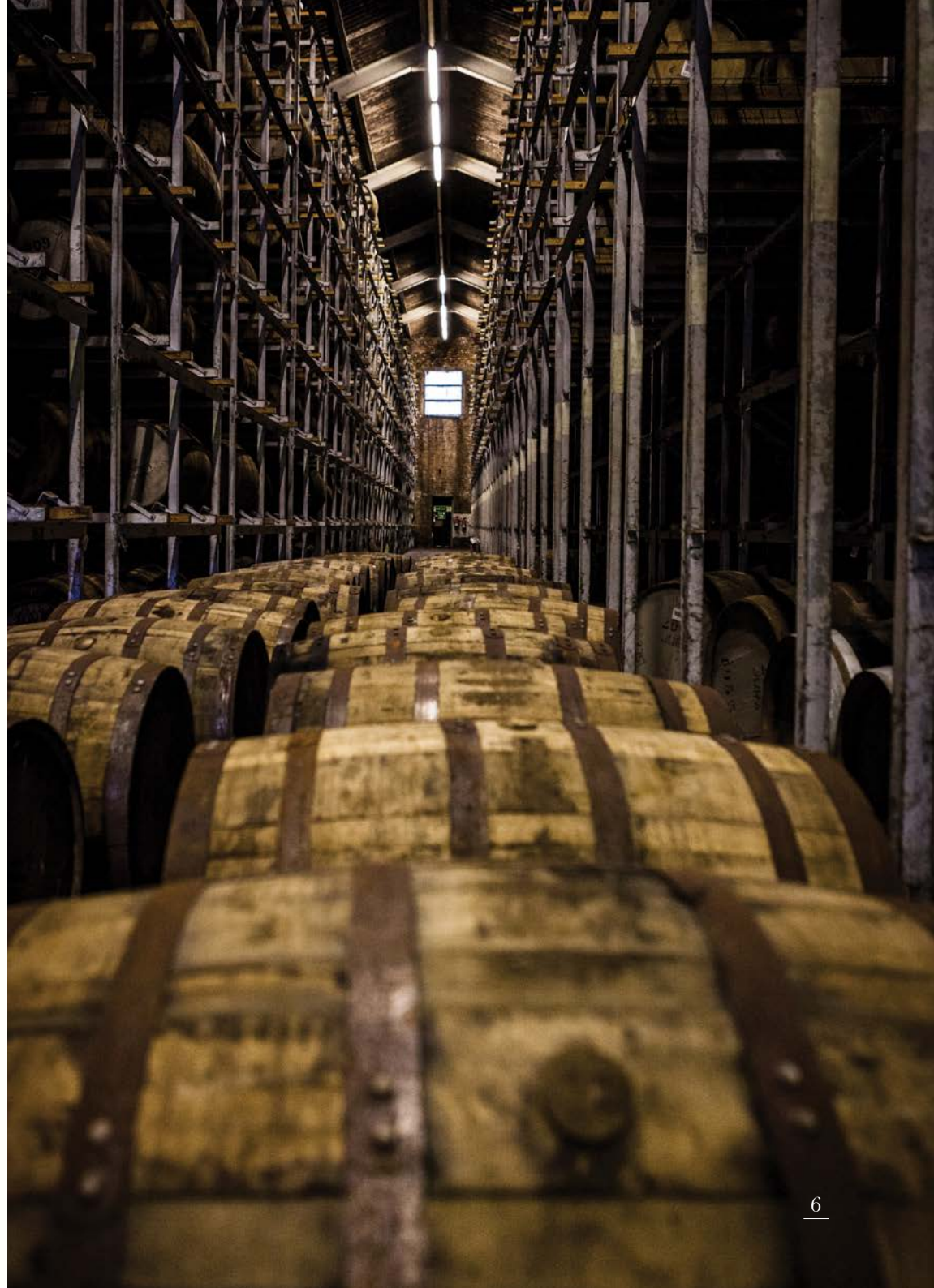
In a survey (undertaken by *Braeburn Whisky* in August 2020) of 1,932 randomly sampled participants between the ages of 24 and 39, nearly one in three respondents specified whisky as the asset they were most likely to invest in this year, outpacing every investment asset except for property.



## EXECUTIVE SUMMARY STATE OF THE MARKET

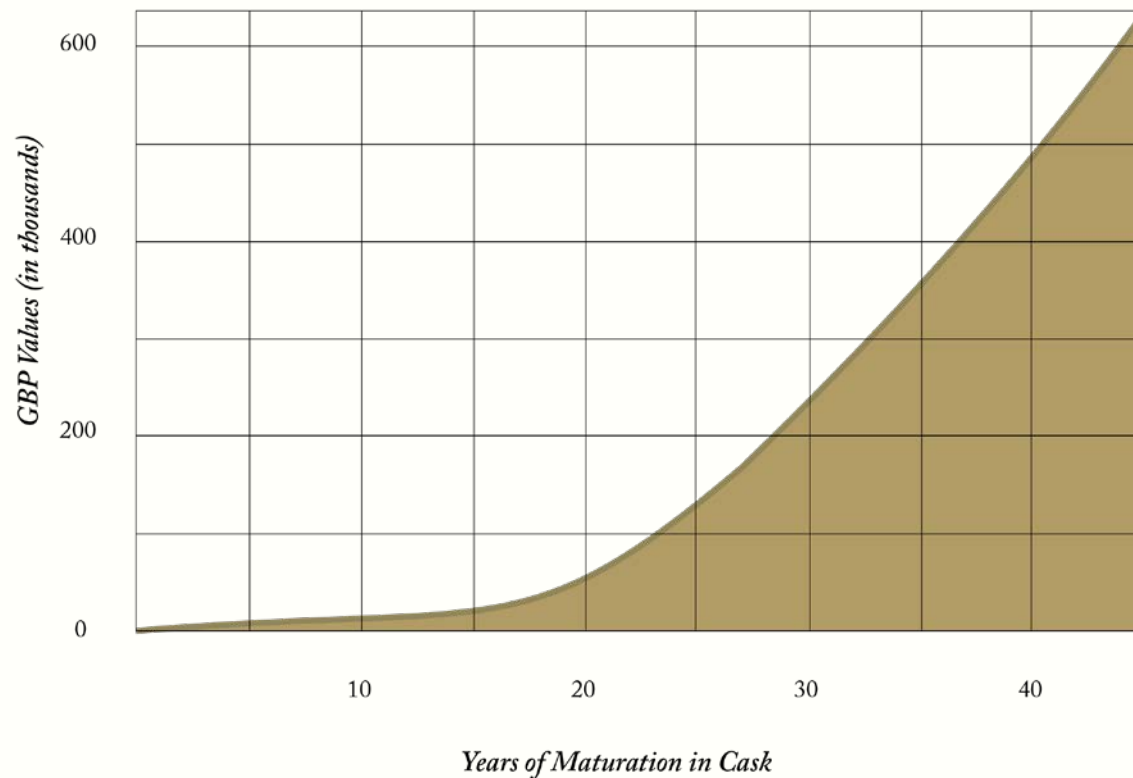
Whisky was identified by market analysts as a top-performing luxury investment in 2019 and outperformed other more established alternative investments, such as wine, art and gold. This interest in rare bottles appears to be driving interest in whole casks of whisky, as private collectors seek more unique and premium products to add to their portfolios. Casks of Scottish whisky sold through online and traditional auctions are achieving sums in the hundreds of thousands of pounds, and exhibiting trends not dissimilar from those seen across rare bottles.

While bottled whisky has long enjoyed a reputation as a good investment, consumer awareness of the benefits of cask whisky investment is growing: Firstly, the provenance of a whisky cask can be traced with more certainty than that of bottles; Secondly, whisky in the cask enjoys dual channels of appreciation (the whisky naturally gains value as it matures in the cask, in addition to the rise in value that comes with an increase in demand, while supply is throttled by consumption of the product).



## TIME GENERATES GREAT VALUE

CASK VALUE BY YEARS OF MATURATION



Whisky in the cask enjoys a unique driver of its appreciation: over time the whisky draws an enhanced flavour profile from the cask, softening and maturing as time goes on, and increasing its value naturally.

Furthermore, truly living up to the name *'liquid asset'*, casks of whisky at mature ages are bottled and drunk over time, reducing the number available in the market at an advanced age.

This is represented clearly in the data, which shows unequivocal correlation between the price of the cask and the age statement of the whisky itself, with an especially sharp increase in value for the casks over the age of 20 years. This graph is generated from observing our total cask sales since 2015.



## EXECUTIVE SUMMARY PURPOSE OF THE REPORT

Casks have been traded between distillers and independent bottlers for many decades, but private collectors have only recently started to get involved. Cask ownership by private collectors is a new direction for whisky, on which *Cask 88* and *Braeburn* have been leading the charge.

Analysts from both *Cask 88* and *Braeburn Whisky* have developed the first data modelling algorithm for the whisky cask market, which provides investors and enthusiasts with metrics that offer an unprecedented perspective on the industry.

The data modelling algorithm leverages the sales data from the past five years, collected by whisky cask market leaders *Cask 88* and *Braeburn Whisky*, to develop capital growth projections for whisky casks from across different regions, distilleries, ages and cask types. The data covers global markets: traditional sales, which make up the vast majority of cask sales, have occurred in regions across the globe, from *Asia* and *Australia*, to the *US* and *Europe*; while interest in online cask auctions has been largely from *Europe* and the *US*.

Though the data is not exhaustive, *Cask 88* and *Braeburn* are at the forefront of a burgeoning market, encompassing both traditional sales and limited numbers of auction sales, and evaluation of their data presents a cross-section of the market as a whole.

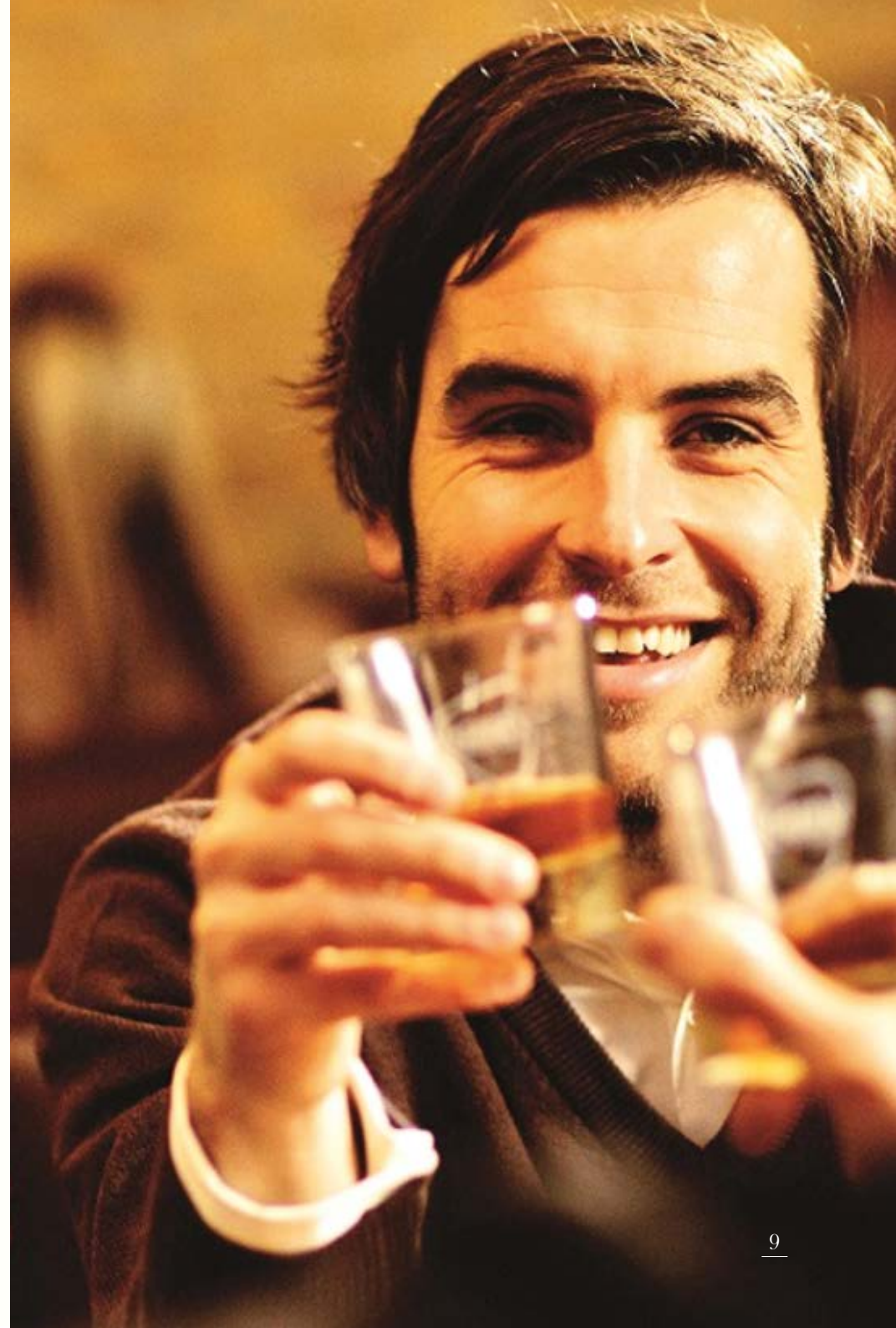
This report provides a selection of metrics derived from this algorithm in order to provide a snapshot of the performance of the whisky cask industry.




## EXECUTIVE SUMMARY   CHALLENGES FACED

While many similarities exist between whisky casks and other tangible investments, there are nuances inherent in the whisky cask market which make it unique. The greatest challenge facing investors is how to properly analyse a market where the assets are not treated as a commodity, but where provenance of the asset is of the utmost importance, and each cask has a set of characteristics that make it one of a kind.

Adding to the complexity is the fact that, unlike a piece of art, or a collectible bottle of whisky, the value of whisky casks is not driven by economics alone, but by maturation as well. Given that whisky continues to mature while contained within a cask, a cask purchased today will effectively become a different product with each year that passes.





A close-up photograph of two hands holding whisky glasses, clinking them together. The glasses are filled with a golden liquid. The background is a blurred red wall. The text is overlaid on the left side of the image.

Analysts from both *Cask 88* and *Braeburn Whisky* have developed the first data modelling algorithm for the whisky cask market, which provides investors and enthusiasts with metrics that offer an *unprecedented perspective* on the industry.

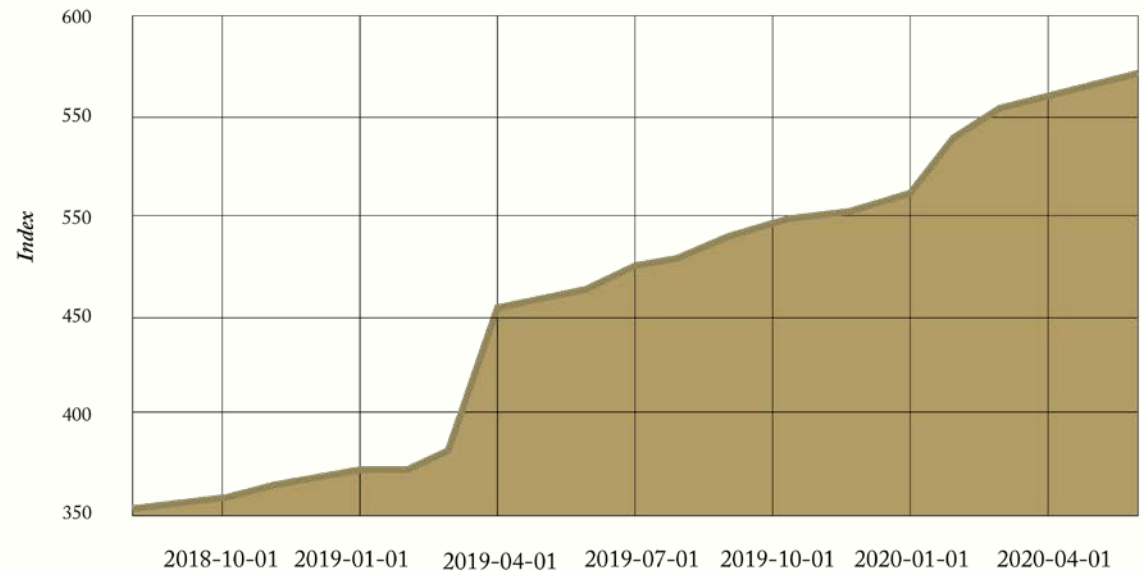


## STEADY GROWTH FOR BC20 WHISKY CASK INDEX

The *Braeburn/Cask 88 20 (BC20) Whisky Cask Index* collates the projected values of a representative sample of twenty casks from assorted distilleries and vintages. We chose distilleries with a wide geographic spread and with varying levels of eminence, ranging from quite niche to very famous. Most importantly, a good number of casks from these distilleries have passed through our care, so we feel confident that we have enough data for accurate projections.

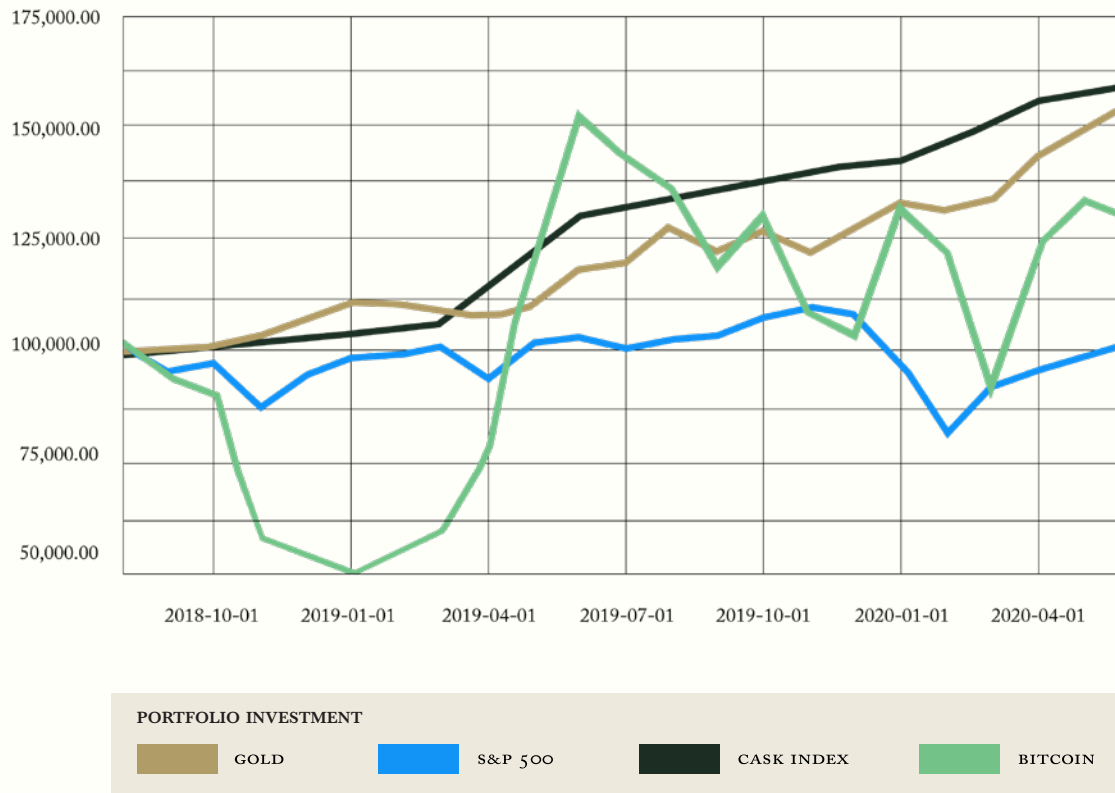
In spite of the global economic turmoil of the first half of 2020, the *BC20 Whisky Cask Index* has shown stability, and even growth. Not a single distillery index showed negative returns throughout the last five years, we believe this indicates the level of trust that can be placed in cask whisky even during times of economic uncertainty.

BC20 WHISKY CASK INDEX



## A STABLE SHIP SAILS ON LIQUID GOLD

PROJECTED RETURN FOR \$100,000 PORTFOLIO



Tangible assets are widely regarded as a '*safe haven*' against economic uncertainty, and a comparison with stocks supports the view that tangible assets have been more stable than stocks during the current economic climate. However, whisky also comes out favourably when compared to other tangible asset classes, such as gold, and alternative investments such as *Bitcoin*.

If an investor had invested \$100,000 in July 2018 into casks, *S&P 500*, *Bitcoin* and gold, the projected value of their portfolio would be highest if they had invested in casks, followed by gold, *Bitcoin* and lastly the *S&P 500 index*.

## AVERAGE ANNUAL CAPITAL GROWTH IS 13.09%


The projected average annual capital growth rate for whisky casks has climbed to a strong 13.09%, continuing on a steady upward trajectory. The graph represents the change in the projected average capital growth rate across all distilleries and ages from July 2018 to June 2020. Not only is the *BC20 Whisky Cask Index* showing steady growth, but the rate at which casks appreciate annually is on the rise. This is a very positive sign for the industry, as it demonstrates that, not only are casks appreciating due to their natural maturation, but they are also appreciating in response to demand outpacing supply. Since January 2019, the projected average annual capital growth rate has risen by more than 2 percentage points.

CHANGES IN ANNUAL CAPITAL GROWTH RATE



**13.09% PROJECTED AVERAGE ANNUAL CAPITAL GROWTH**  
JUNE 2020



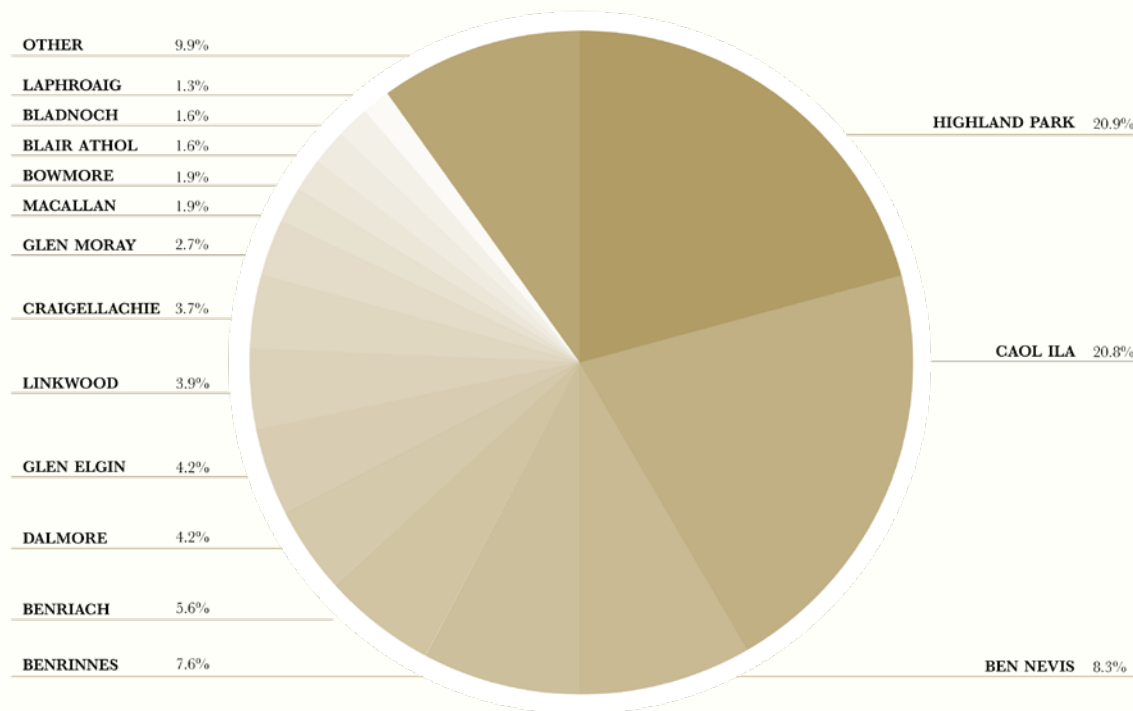


Not only is the *BC20 Whisky Cask Index* showing steady growth, but the rate at which casks appreciate *annually is on the rise*.

## HIGHLAND PARK AND CAOL ILA ARE TOP SELLERS

Represented here is the percentage of casks sold from different distilleries during the period from July 2019 to June 2020. With this data, we can gauge the popularity of some of *Scotland's* distilleries - and see which names have star power in the eyes of our clients, as well as showing which distilleries' casks can reliably be found for trade on the secondary market.

PERCENTAGE OF SALES BY DISTILLERY (TOP 15)



# DISTILLERY LEAGUE TABLE: LAPHROAIG TAKES THE CROWN

Our overall projected capital growth chart, encompassing all distilleries and regions, shows that a whisky cask can be expected to generate, on average, a 13<sup>0</sup>% increase in value per annum. Here we break the analysis down by individual distillery, for a more nuanced picture.

A reassuring aspect of *Scotch* whisky as an investment is that every distillery in our index has shown positive projected capital growth. Even casks from the most modest distillery like *Ardmore*, which sat lowest in our index, have a projected capital growth of 5.13% per annum. On the other end of the scale, however, distilleries with a lot of star power, like *Laphroaig*, *Bunnahabhain*, *Staoisha*, and *Macallan*, all show projected returns approaching 20% per annum.

Showing 19.88% projected annual capital growth, *Laphroaig* takes the top spot on the table. The next two malts reinforce a trend in demand for *Islay* whiskies, as *Bunnahabhain* and its peated equivalent *Staoisha* occupy places two and three.

Distilleries on the whisky-producing *Scottish islands* (represented by *Laphroaig*, *Bunnahabhain*, *Staoisha*, *Highland Park*, *Caol Ila*, *Bowmore* and *Jura*) dominate the top ten, with *Macallan*, *Springbank* and *BenRiach* being the only three mainland distilleries to make the list.

BC20 TOP TEN DISTILLERIES AVERAGE ANNUAL CAPITAL GROWTH			
	P. CAPITAL GROWTH	RANK	ONE YEAR CHANGE
LAPHROAIG	19.88%	1st	▲ UP ONE
BUNNAHABHAIN	18.97%	2nd	▲ UP FOUR
STAOISHA	18.72%	3rd	▼ DOWN TWO
MACALLAN	16.81%	4th	▲ UP ONE
HIGHLAND PARK	15.92%	5th	▲ UP THREE
CAOL ILA	15.57%	6th	▼ DOWN THREE
SPRINGBANK	15.36%	7th	EVEN
BENRIACH	13.90%	8th	▲ UP TWO
BOWMORE	13.56%	9th	▲ UP EIGHT
JURA	13.26%	10th	▲ UP ONE



## DISTILLERY LEAGUE TABLE: WEST COAST CHALLENGES SPEYSIDE

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At number seven in our ranking, *Springbank* is a distillery which has been touted as a brand to watch for investors in the rare bottle market, and though it is already high in the cask league table, there is still space for *Springbank* to climb.

Whisky industry darling, and fourth place in our league table, *Macallan* have made headlines in recent years for the auction prices of their collectible bottles. From the perspective of whole casks, *Macallan* has also reigned supreme. In October 2018, a *Macallan* 1996 *Hogshead*, at 22 years old, sold for HK\$3,430,000 (US\$437,861 / £342,271) to set a new world record for the price of a single cask at auction, beating the previous sale of a *Macallan* 30 year old *Sherry Hogshead* at *Spink* auction house the previous year. However, if the popularity of the *Islay*, *Campbeltown* and *Island* malts continues to grow, they may soon rival the growth of *Macallan*.



# ISLAY IS TOP PERFORMING WHISKY REGION

This table shows the average projected annual capital growth figure for each region as of the date shown, taking an average of the projected increase in value for each age from 1 to 50 years for all distilleries contained within the designated region.

Reflecting the significant gains enjoyed by the distilleries of *Islay*, *Campbeltown\** and the *Islands* in the *Distillery League Table*, these three regions also come out on top in our *Regions League Table*. *Islay* whiskies showed, on average, growth of 16.3% across 12 months.

This may come as a surprise to those who traditionally expected those refined *Speyside* whiskies to maintain their position at the top - but the focus seems to be shifting to *Scotland's West Coast* now. Of our top ten performing distilleries, seven are located on the west coast, or islands just off it. A lot of innovation and refinement has been seen in *Scotland's Western* distilleries. This, combined with romantically remote locations and those unique peaty flavours, has caught the imagination of investors who may be looking for something a little different.

Though the *Lowlands* showed the least growth of the six regions, it still offered a healthy 9.8% average annual return.

REGION PERFORMANCE AVERAGE CAPITAL GROWTH			
	P. CAPITAL GROWTH	RANK	ONE YEAR CHANGE
ISLAY	16.3488	1st	EVEN
CAMPBELTOWN	15.361	2nd	EVEN
ISLANDS	14.5956	3rd	▲ UP ONE
SPEYSIDE	11.7442	4th	▲ UP ONE
HIGHLANDS	11.3588	5th	▲ UP ONE
LOWLANDS	9.8198	6th	▼ DOWN THREE

*\* It is worth noting that Campbeltown, being such a small region, basically takes its index from the fortunes of just one distillery. Given its high ranking in our distillery league table, Springbank is almost certainly responsible for this. This region may thus be more sensitive to sudden changes.*

## HISTORICAL GROWTH FAVOURERD YOUNGER CASKS

This table shows the average projected annual capital growth figure for each age range of casks as of the date shown. This means that on average, one can expect a cask that has matured for 3 - 10 years to increase in value by 15.82% per year. This takes an average of the projected increase in value for all casks from the designated age range across all distilleries and regions.

Whisky casks see a larger percentage increase in value during their younger life, although in terms of real dollars they see larger increases when they are older.

The implication here is that younger casks will offer greater percentage returns for those with the patience to wait, as well as more affordable initial investment. Cask choices at an older age will require a greater initial buy in, as they are already in their prime, but every year is projected to yield a significant return in pure monetary terms.

PROJECTED CAPITAL GROWTH BY YEARS OF MATURATION				
		01/07/20	01/01/20	01/07/19
NEW MAKE	0-2 Years	21.81%	21.22%	18.33%
EMERGING	3-10 Years	15.82%	15.84%	14.48%
INTERMEDIATE	11-20 Years	13.67%	13.27%	12.32%
PREMIUM	21-30 Years	11.19%	10.99%	9.98%
BLUE CHIP	30+ Years	10.07%	10.14%	9.03%





A woman in a kilt is performing a fire dance in front of a large, arched wooden door at night. The door is illuminated with a blue light and features the Braeburn Whisky logo. The woman is holding a flaming torch. The scene is set in a stone building with warm string lights hanging above the door.

Showing 19.88% projected annual capital growth,  
*Laphroaig* takes the top spot on the *Distillery League Table*.  
The next two malts reinforce a trend in demand for  
*Islay* whiskies, as *Bunnahabhain* and its peated equivalent  
*Staoisha* occupy places two and three.



## EX-SHERRY CASKS, AND MALT, MOST DESIRABLE

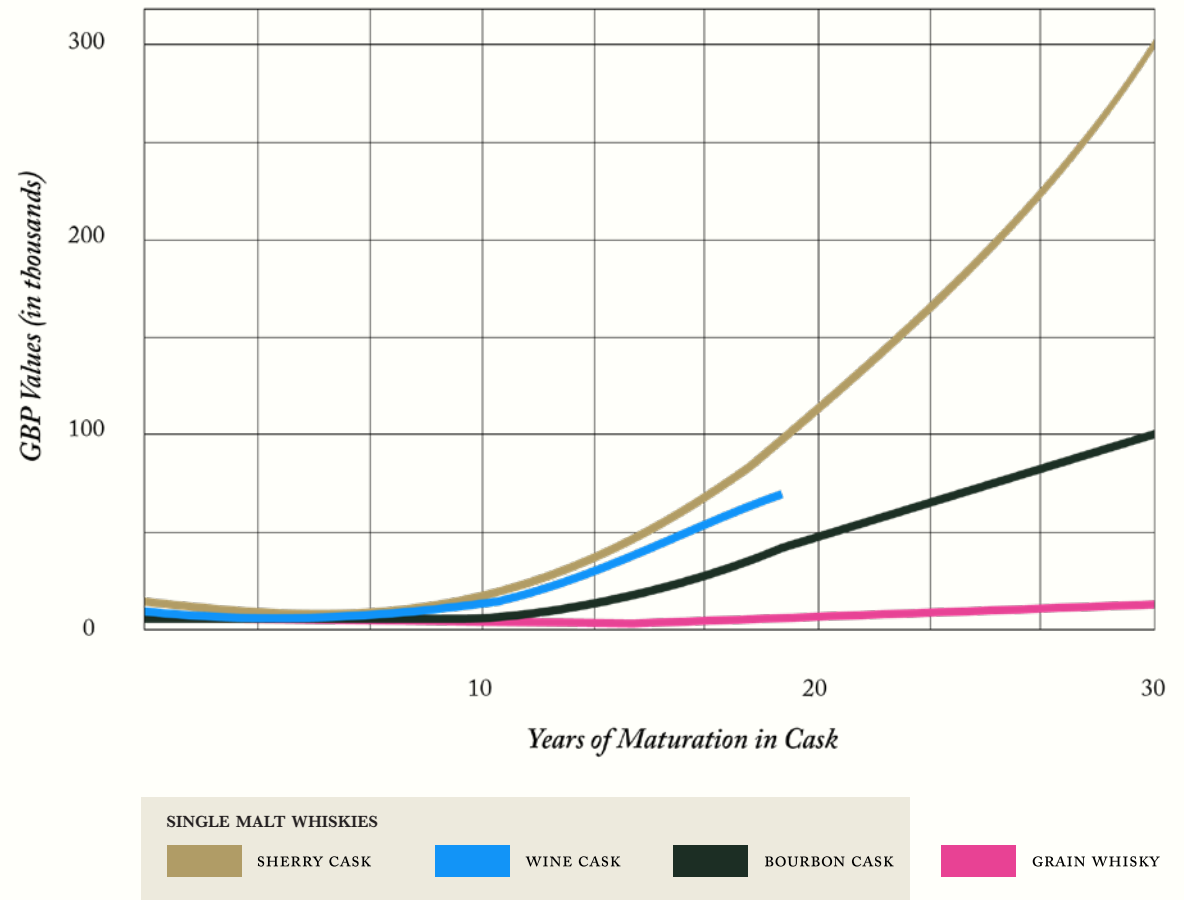
Casks that have previously held sherry are, unsurprisingly to those who appreciate the joy of a richly sherried malt, seeing spectacular returns. This is in part down to the rarity and cost of sourcing sherry casks from *Spain*, and also the enduring popularity of distilleries such as *Macallan* and *Dalmore*, who predominantly use ex-sherry casks in their maturation.

*Ex-Bourbon* casks are much more prevalent on the secondary market, since distillers in *America* are limited to a single use of their barrels, after which they are shipped off to *Europe* to perform other maturations. However, *ex-bourbon* casks still experience solid growth with age, and may prove a more affordable initial investment.

Wine casks are diverse and, though the data is so far limited to casks under the age of 20 years, it seems they could give *ex-Sherry* casks a run for their money.

Grain whisky clearly remains an undervalued asset. Predicting human behaviour is challenging, but grain whisky seems to be gaining popularity, thanks to increased efforts from independent bottlers and distillers, and the simple fact that well-matured grain whisky is delicious. If grain whisky is able to capitalise on its strengths, that line could climb, and those who invested in grain whisky early on will be glad they did.

CASK APPRECIATION BY TYPE



# OUR PREDICTIONS, HOPES AND DRAMS FOR 2020, AND BEYOND

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It is fair to say that the secondary market for whole casks of whisky is very much in its infancy, and we see enormous scope for these trades to grow in numbers, and in value. Casks have been traded between distillers and independent bottlers for many decades, and private collectors have only recently started investing in this sector in significant numbers.

Given the huge interest in whisky at the moment, we expect interest in casks to increase, and for more and more private individuals to start bottling their own whisky. Greater numbers of independent bottling companies are likely to impact the rare bottle market, but exactly how, it is too early to predict.

This report confirms the anecdotal evidence we've witnessed over the past few years, and it is reassuring to see not a single distillery index with negative returns throughout our period of study. Average projected annual capital appreciation is a healthy 13.09%, and the top ten distilleries are showing projected annual returns of between 13 - 20%. If growth continues at a comparable rate, we believe investors selecting casks from within the top ten distilleries can expect to be able to double their investment over the course of five years. In spite of great economic turmoil in the first half of 2020, the *BC20 Whisky Cask Index* has remained stable, and has even continued on an upward trajectory throughout the period.



## HOPES AND DRAMS CONTINUED

*Laphroaig* distillery at the top of the *Distilleries League Table*, alongside *Islay* at the top of the *Regions League Table*, confirms the popularity of liquid from this whisky-powerhouse island. *Islay* whiskies showed, on average, growth of 16.3% across 12 months, in comparison with a still-healthy 9.8% average annual return from the *Lowlands* region, which showed the least growth of the six regions.

Overall trends indicate that tastes are moving away from historical favourites in *Speyside* towards malts from the *Western Isles*. In spite of strong, often record-breaking, performance of bottles and casks at auctions, *Macallan* came in only at number four on the *Distillery League Table*.

As is to be expected, casks that have exceeded the ripe age of 20 years are fetching spectacular returns, and the largest annual returns in actual monetary terms occur during the later stages of a cask's lifespan. However, the largest percentage increase in value is seen during a cask's younger years, and so, for those with more time to wait, new make spirit and young whisky are projected to be lucrative long term investments.





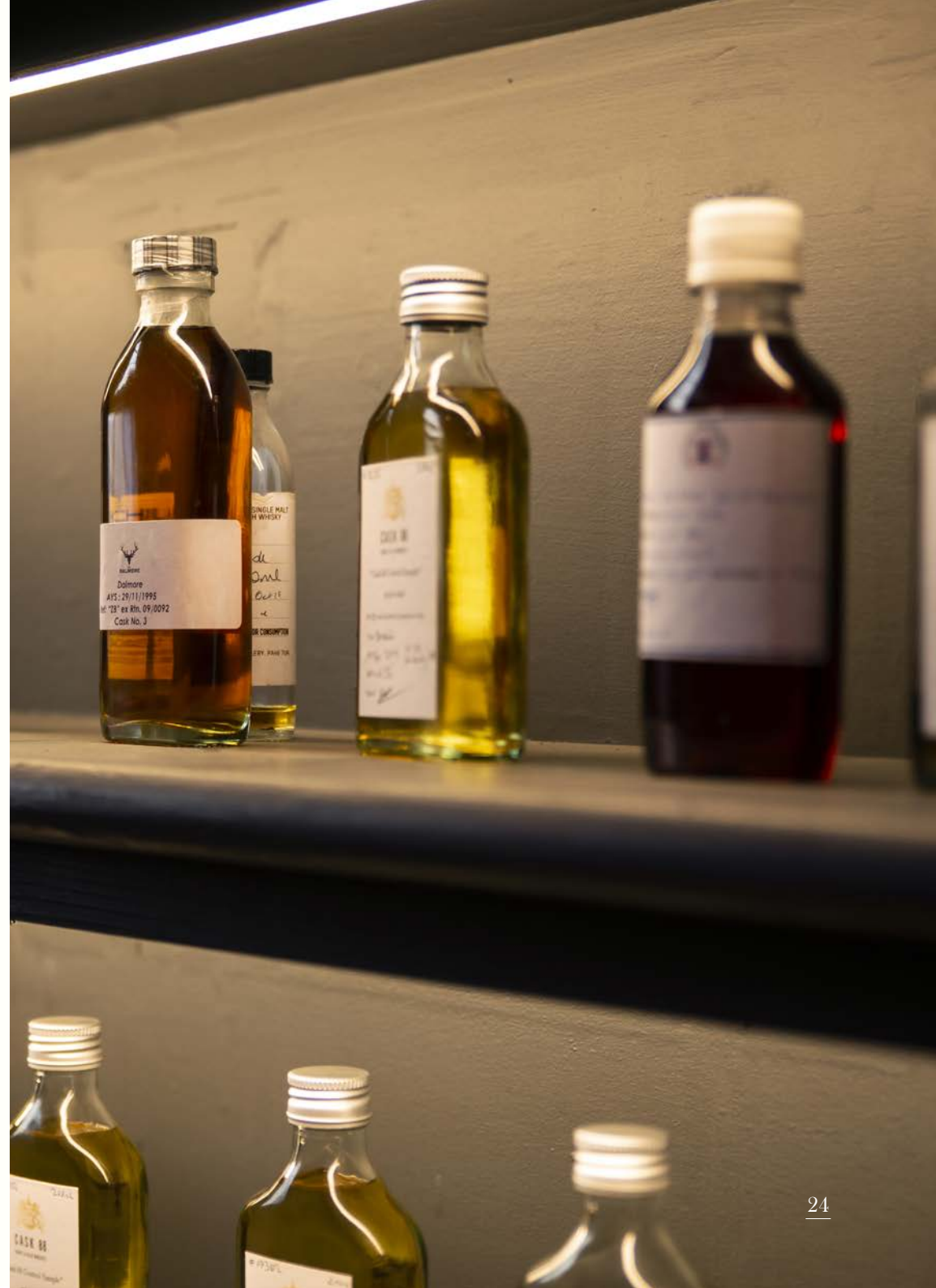
## HOPES AND DRAMS CONTINUED

For those looking for a longshot, grain whisky is currently significantly undervalued, in spite of the fact that aged grain whisky is both a scarce and (you'll forgive us our own carefully researched opinion here) delicious product. Whereas malt whisky casks, in particular, ex-sherry, and other ex-wine casks, are witnessing higher demand at the current time, if the tide does turn in favour of something new, investment in grain whisky has the potential to pay future dividends.

Over the past 12 - 24 months, whisky casks have been included in online auctions in increasing numbers. The data from these auctions are still very limited, but in time, should contribute to the overall picture of the whisky cask market, and the rare whisky market as a whole. In due time, we hope to see the sales in online auctions raising awareness and driving new trends themselves.



 Whiskystats.net





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