

RARE WHISKY | 101

AN EXCEPTIONAL YEAR FOR RARE WHISKY
The 2016 Collectors and Investors Single Malt Scotch Review



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RARE WHISKY 101

EXECUTIVE SUMMARY 2016

The sterling (£) value of collectable bottles of Single Malt Scotch Whisky sold at auction in the UK rose by 48.64% to a record £14.21m (2015 £9.56m).

The number of bottles of Single Malt Scotch whisky sold at auction in the UK increased significantly by 35.21% to 58,758 (2015 43,458).

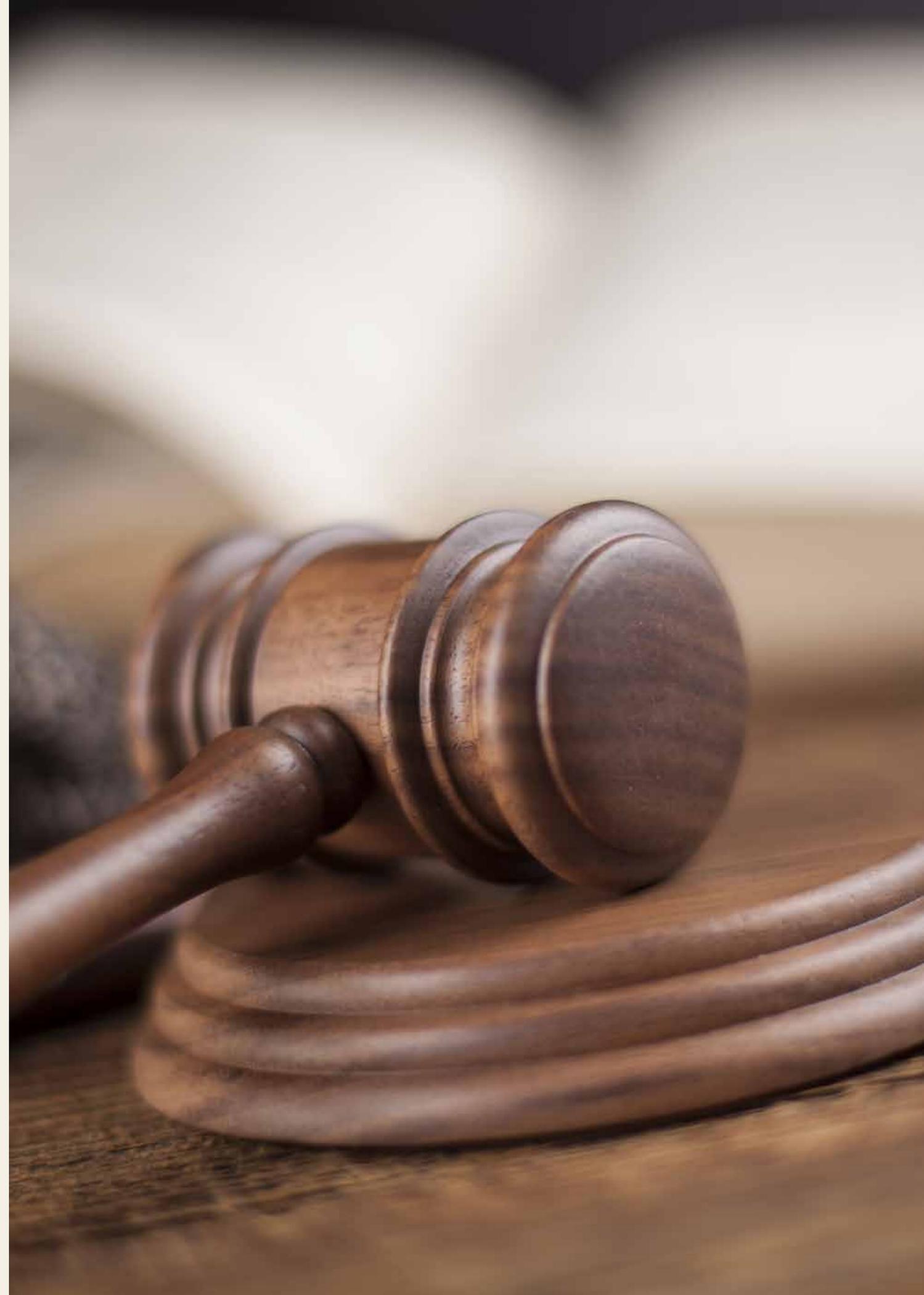
The Macallan continued to lead the pack with the vintage 18-year-old bottlings (1965 vintage to 1990 inclusive) increasing in value by an unprecedented 142.10%. At the end of 2015 a vintage vertical of these bottles would have cost a fraction under £19,000; that price has now risen to almost £46,000.

The broadest measuring index, the Rare Whisky Apex 1,000 (the best performing 1,000 bottles), increased in value by a record 38.37% (2015 14.36%) while on the flip side, the Rare Whisky Negative 1,000 Index (the worst performing 1,000 bottles) continued to fall and re-traced by -1.64% (2015 -2.26%).

Average auction prices soared through the year as 75 distilleries have seen a bottle sell at auction for over £1,000 (63 in 2015). December 2016's monthly average price per bottle stood at £288; up more than 30% from December 2015's £221.

The most heavily traded distillery remains The Macallan with a 10.26% market share of the number of bottles sold at auction (9.59% in 2015) and a 21.85% share of the total £ value (22.71% in 2015). Ardbeg and Bruichladdich occupy second and third places from a volume perspective, with 7.27% and 4.34% of the market respectively. In terms of total £ value, again, Ardbeg are second with 6.89% of the market and Bowmore are a close third at 5.53%.

Famed Islay distilleries Bowmore and Ardbeg also feature in the top 10 investment league table for the first time. Brora retains the top spot while Glen Garioch pushes up an incredible 49 places to number 22. Glenfarclas makes the top 30 for the first time, having moved up 32 places to number 24.





RARE WHISKY 101

2016 IN SUMMARY

*2016 should be highlighted,
for many reasons, as an exceptional
year for rare Scotch.*

The secondary (auction) market continues to become more important as a growth industry. 2016 was the first time traditional retail routes to market were overlooked in favour of auction for what in effect was a retail/primary market release. Strathearn distillery sold their first 100 bottles of Scotch through Perth-based Whisky Auctioneer rather than seeking a more traditional retail route to market. With the benefit of hindsight this looks to have been a financially sound decision for Strathearn.

The lowest achieved price for a 50cl bottle of three-year-old Scotch was £315, and bottle number 1 sold for a staggering £4,150.

In the primary market, further illustrating the unprecedented demand for old and rare Scotch, Macallan released 500 bottles of forty-year-old spirit for £5,000 per bottle. Part of the allocation was sold by the distillery through a ballot. Anyone wanting a bottle applied online and names of the lucky few were then drawn at random. According to The Macallan, their offer was fifteen times oversubscribed and bottles already traded at auction for around £6,500.

Vintage and age remained key drivers, but the broader markets' thirst for silent stills seemed to soften ever so slightly. While Brora stubbornly kept The Macallan from a clean-sweep in both the collector and investor ranks, at the end of 2016 we find that four of the top ten investment distilleries were silent, down from seven at the end of 2015.

At 31st of December 2015 there were 258 bottles from silent distilleries in the Apex 1,000 index. That number has fallen to 225 at 31st of December 2016.

RARE WHISKY 101

SUPPLY AND DEMAND

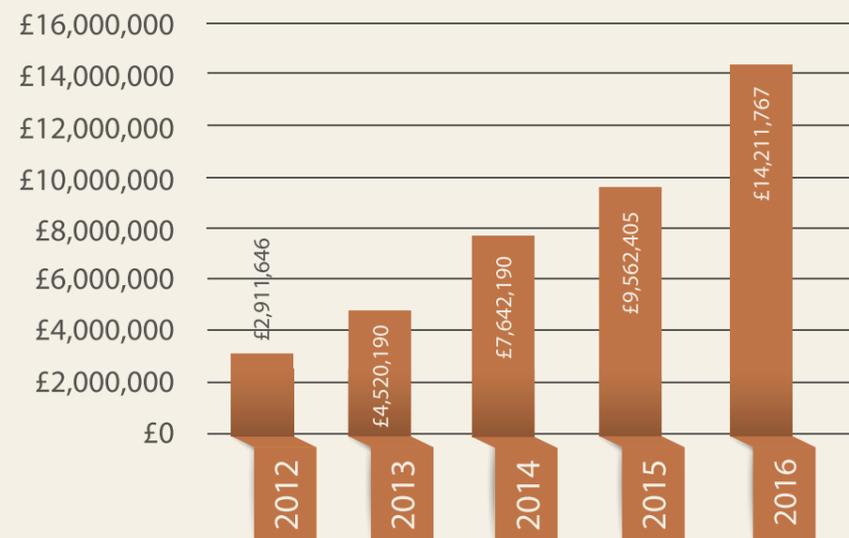
As the secondary market for rare Scotch continues to mature, we are seeing increased liquidity in what was once a relatively illiquid market. The trading costs associated with selling rare whisky are reducing as auctioneers compete for the best stock. Bottles will now be collected for sale - the whole process of selling a bottle or bottles has become an entirely different experience to that pertaining even five years ago. Bottles are easier than ever to sell and prices are at all-time highs, so it is little surprise that we are seeing such significant increases in the number of bottles sold.

A 35.21% year on year increase to 58,758 bottles exceeds our initial estimates of 55,000 by a comfortable margin. The last five years' volumes are as below:

LAST FIVE YEARS' VOLUME



LAST FIVE YEARS' £ VALUE



Interestingly, 2015 saw volumes increase more rapidly than values as we saw an influx of lower value bottles (volumes grew by 27.83% and values by 25.13% in 2015). As both confidence and awareness of the booming whisky auction market increases we have started to see some exceptional prices paid for true rarities in 2016. Coupled with a general increase in values across the board and 2016's huge £ value increase of 48.64% from £9.56m in 2015 to £14.21m, 2016 (shown opposite) significantly exceeds our £12m estimate.

Breaking through £14m for the first time, we note the year-on-year gain of £4.65m is larger than the £ total in 2013 (and all previous years). It is worth reminding ourselves that this dynamic market has grown from £1.17m in 2010. It is not inconceivable that 2017 could approach the £20m level - truly cementing the arrival of rare whisky as a passion collectable, and for some, an increasingly attractive, alternative investment.

The average per-bottle price is another key metric to show the health of the market. Average price decline, as seen in 2015, would suggest a higher volume of lower value bottles coming to market and/or general demand softening. Conversely, as in 2016, we see average prices increasing, particularly in a market where supply is vast. In the current market demand continues to outstrip supply with prices remaining correspondingly steely.

For the last three years, annual average per-bottle prices have remained relatively stable, moving between £220 - £228. However, in 2016 we have seen a dramatic increase to £241.87.

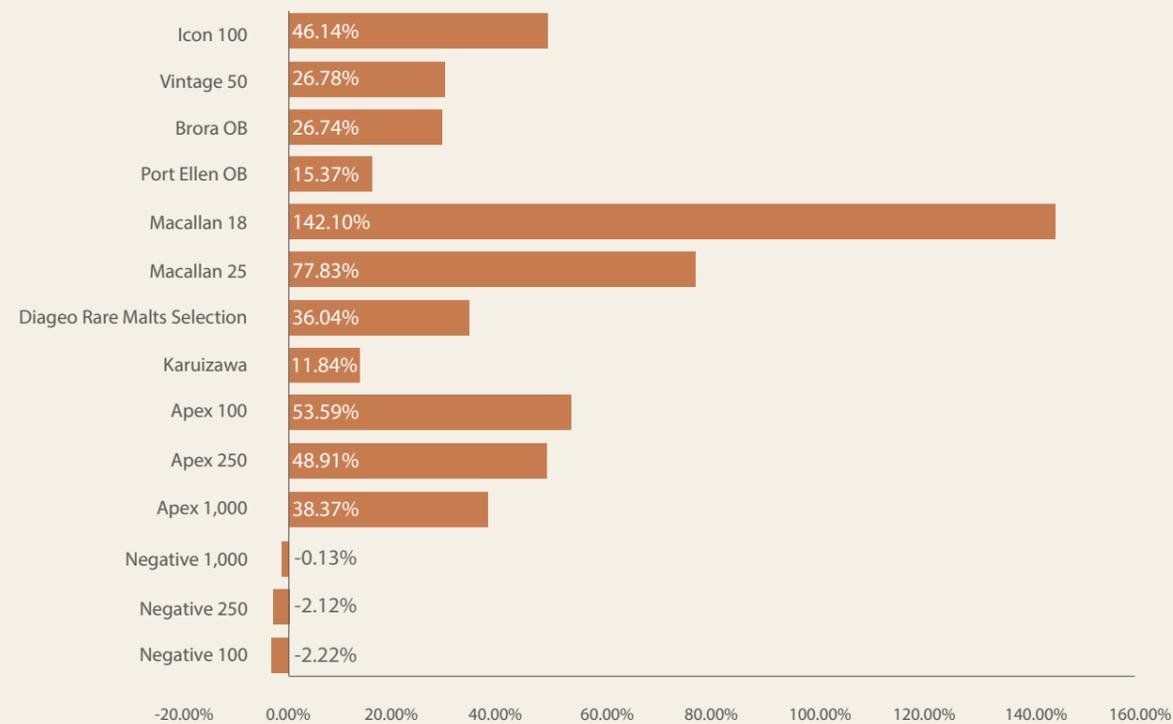
AVERAGE PRICE PER BOTTLE



RARE WHISKY 101 INDEX ASSESSMENT

CRITICAL INSIGHTS

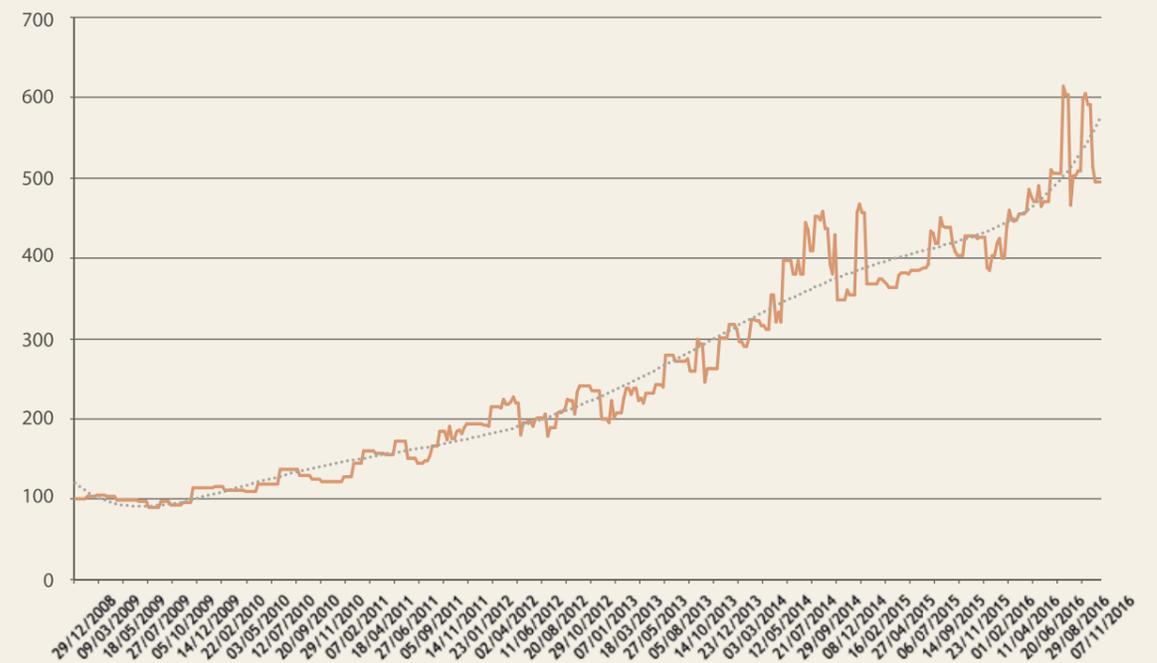
INDEX	END 2015	END 2016	% CHANGE
ICON 100	308.61	451.00	46.14%
VINTAGE 50	349.39	442.94	26.78%
BRORA (OB)	390.26	494.60	26.74%
PORT ELLEN (OB)	428.51	494.36	15.37%
MACALLAN 18 YEAR OLD	238.54	577.50	142.10%
MACALLAN 25 YEAR OLD	278.74	495.67	77.83%
DIAGEO RARE MALTS SELECTION	208.44	283.56	36.04%
KARUIZAWA	379.67	424.61	11.84%
APEX 100	627.43	963.67	53.59%
APEX 250	510.94	760.86	48.91%
APEX 1,000	365.68	505.98	38.37%
NEGATIVE 1,000	54.10	54.30	-0.13%
NEGATIVE 250	38.74	37.92	-2.12%
NEGATIVE 100	31.59	30.89	-2.22%



The negative indices slide further into the red as polarization continues - bottles from less desirable distilleries are flat-lining at best, and in some cases falling.

Brora outperforms silent still sister Port Ellen. The performance of Port Ellen's official bottles has been exceptionally spiky in recent months, suggesting completionist collectors are influencing the market. Once a final one or two bottles have been acquired to complete a full set at almost any price, the market returns to a more normal trajectory.

PORT ELLEN INDEX



Discreet bottle collections - Vintage 50, Icon 100, Diageo Rare Malts Selection - all do well as rarity drives value appreciation.

The Macallan enjoys an incredible 12 months with its iconic 18 and 25-year-old vintages experiencing huge demand and massive price increases. Market appetite for older, discontinued, sherry-matured spirit from this iconic brand has reached an all-time high. We place the significant caveat that, while we do not envisage a crash (demand looks too strong and supply still small), we do not expect increases of anything like this magnitude for The Macallan moving forward.



RARE WHISKY 101 STAND-OUT BOTTLES OF 2016

MOST EXPENSIVE BOTTLE TO SELL AT AUCTION IN THE UK IN 2016

£62,600 for a bottle of Yamazaki 50-year-old sold through London based auctioneer Whisky Auction Ltd.

RUNNER UP

£55,000 for a bottle of Glenfiddich 1937 64-year-old sold through Bonhams Auctioneers in Edinburgh.

NOTABLE RETAIL (PRIMARY MARKET) RELEASES

The aforementioned Macallan 40 year-old retailed for £5,000 and sold out in a heartbeat.

Lagavulin's 200th anniversary year saw the release of a 25-year-old for £800 per bottle. This price further pushed the ask for 25-year-old Scotch. The market, however, responded favourably, with secondary market prices being as high as £1,050.



RARE WHISKY 101 INVESTMENT COMPARISON

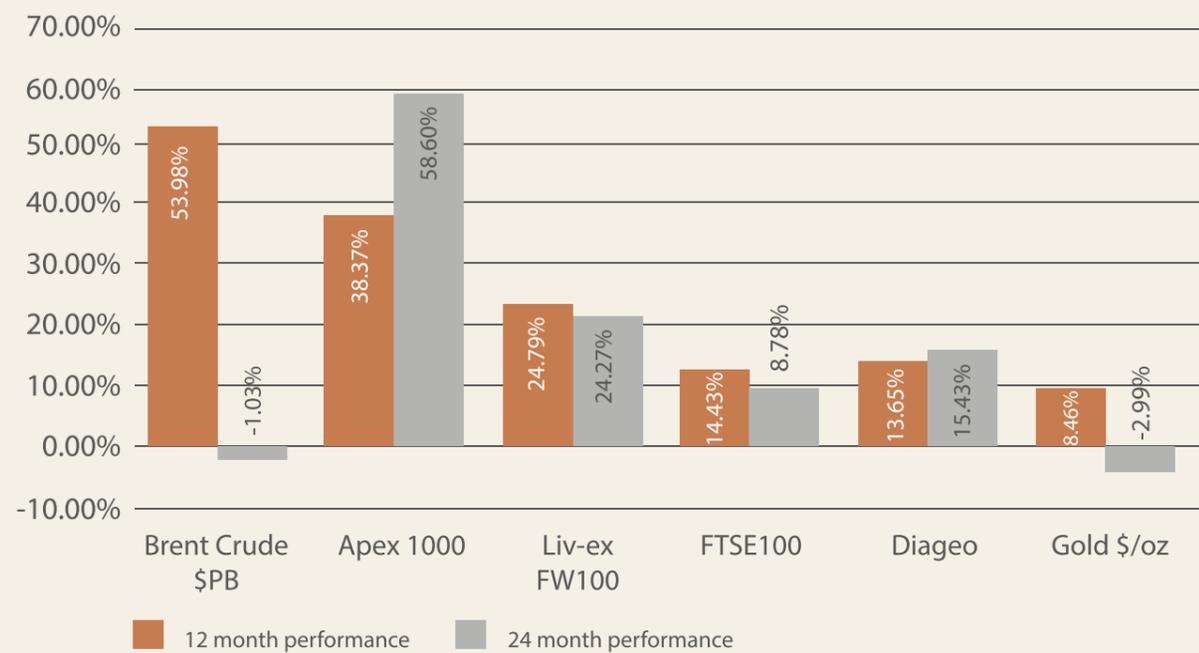
Alternatives and Passion

Having hit the bottom of a cataclysmic trough at the end of 2015, oil prices have since bounced back, yielding an exceptional 12-month performance, rising some 53.98%. Taken over the two-year term from the end of 2014, when this comparison with these assets first ran, Scotch remains resolutely impressive

(Apex 1,000 up 38.73% for 12 months and 58.60% over 24 months). Indeed, compared with our closest relative we see the Live-ex Fine Wine 100 growing at a superb 24.79% over the last 12 months and 24.27% over a two-year term. Despite wine's impressive 12-month performance, we have seen many fine wine collectors continue to diversify into Scotch, unsurprising when you view the Apex 1,000 gains.

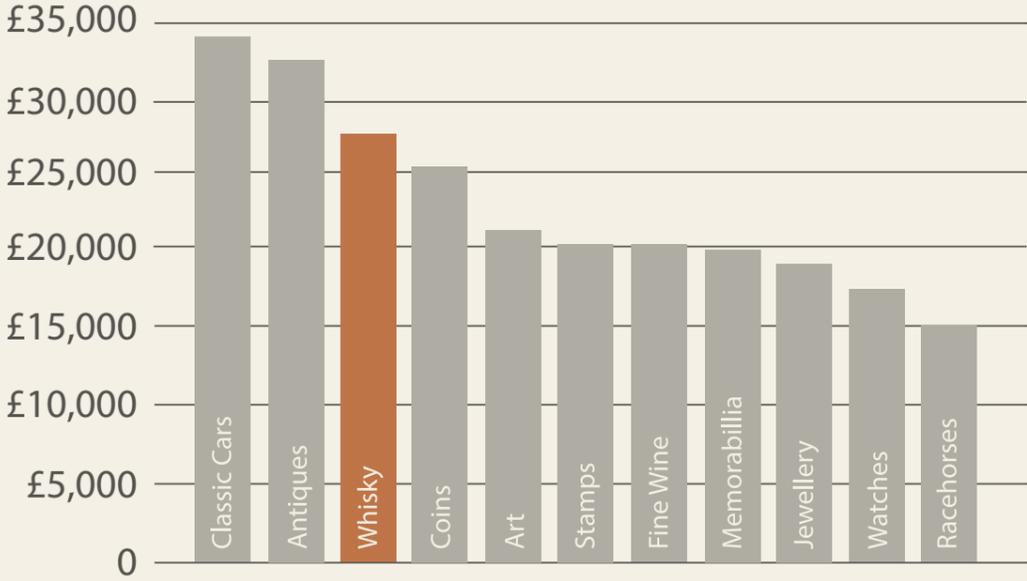
While the past year has proved better for solid gold, with an 8.46% gain, the two-year overview still posts a loss of -2.99%.

INVESTMENT BENCHMARK





PASSION INVESTMENTS - AVERAGE HOLDING



Recreated from Lloyds Banking Group Data

While 2016 was a better year for traditional markets than other recent years, we still see the only certainty as un-certainty. Our evidence shows a broad-based acceleration of interest in alternatives and investments of passion. This was borne out by a report by Lloyds Banking Group in 2016.

“Most investors are not passionate about equities and bonds beyond their return but a study by Lloyds Private Banking has revealed that one in six UK investors holds a ‘hobby’ investment in their portfolios. Investors are willing to part with large sums of money to invest in what they love. On average, £13,500 is spent on a single investment, and with one in ten spending more than £50,000 on an individual item. ‘In investment terms, work and play do not need to be mutually exclusive, and with the right investment approach it is possible to make your interests pay,’” Markus Stadlmann, CIO, Lloyds Private Banking.

RARE WHISKY 101

THE MACALLAN - THE UNTOUCHABLES

The incredible rise in recent times for The Macallan 18 and 25-year-old indices shows no sign of slowing down with the vintage 18-year-old index adding 142.10% in 2016 and the 25-year-old index delivering 77.83%.

THE MACALLAN 18 YEAR OLD



THE MACALLAN 25 YEAR OLD



With both indices starting at the end of 2008 at 100 points we have seen the 18-year-old index and the 25-year-old index rise to 577.50 and 495.67 respectively.



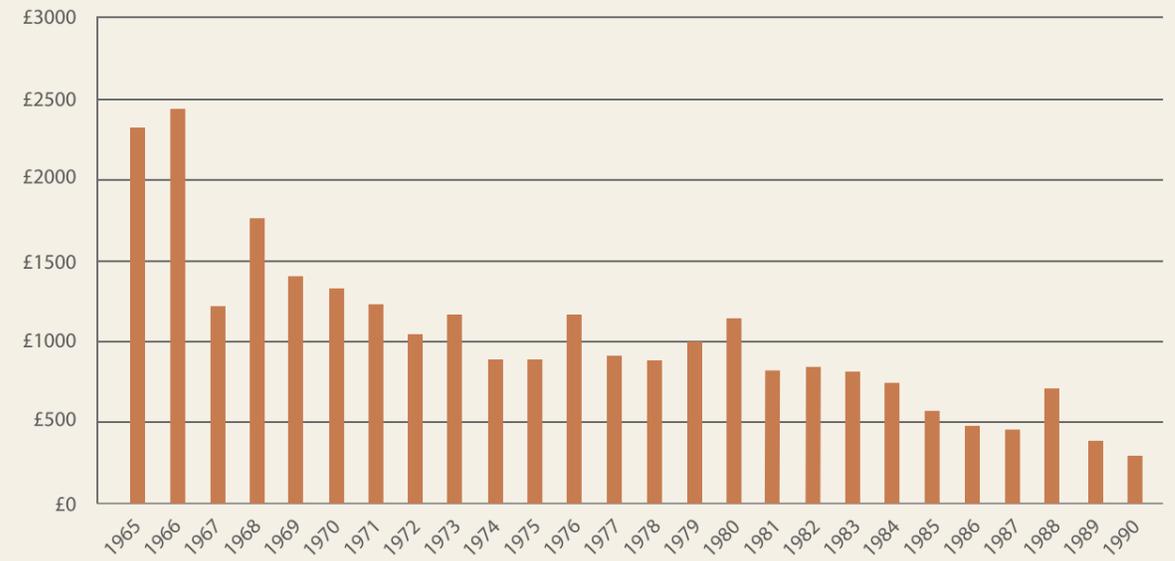
Image from Whisky-Auctioneer Ltd.



Image from Whisky-Auctioneer Ltd.

As would be expected, the earliest vintages are worth significantly higher sums than more recent releases. The chart below highlights the average annual 2016 price of each vintage in both indices.

THE MACALLAN 18 YEAR-OLD AVERAGE PRICES



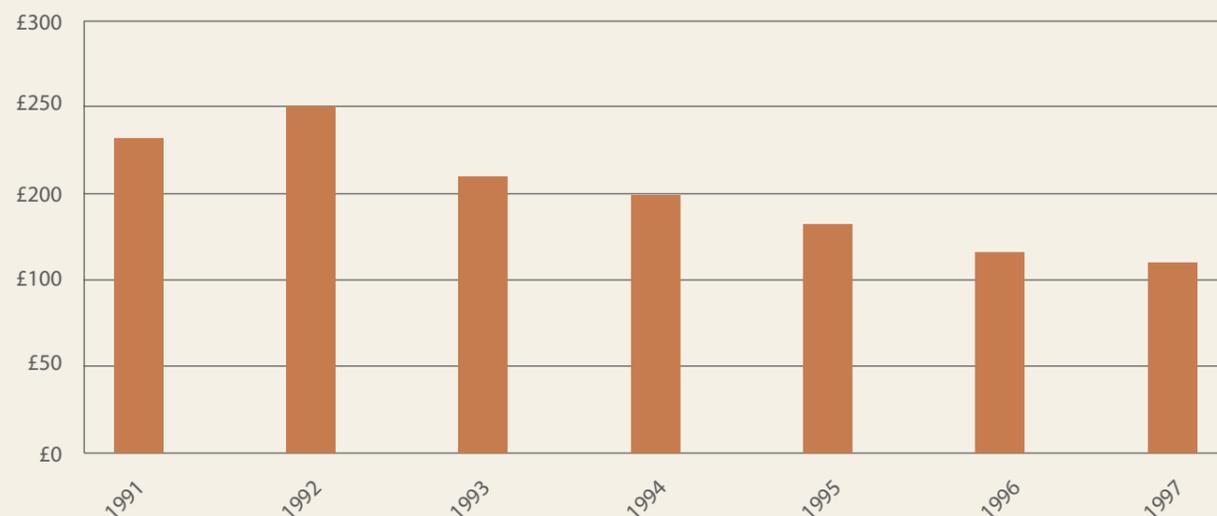
THE MACALLAN 25 YEAR-OLD AVERAGE PRICES



The 25-year-olds also appear far more consistent across the vintages, with only the very oldest examples increasing with much significance.

While not included in The Macallan 18-year-old index, the average prices for vintage releases from 1991 - 1997 (the final vintage release) show far less fluctuation and perfectly illustrate one of the rules of investing in whisky: patience is key.

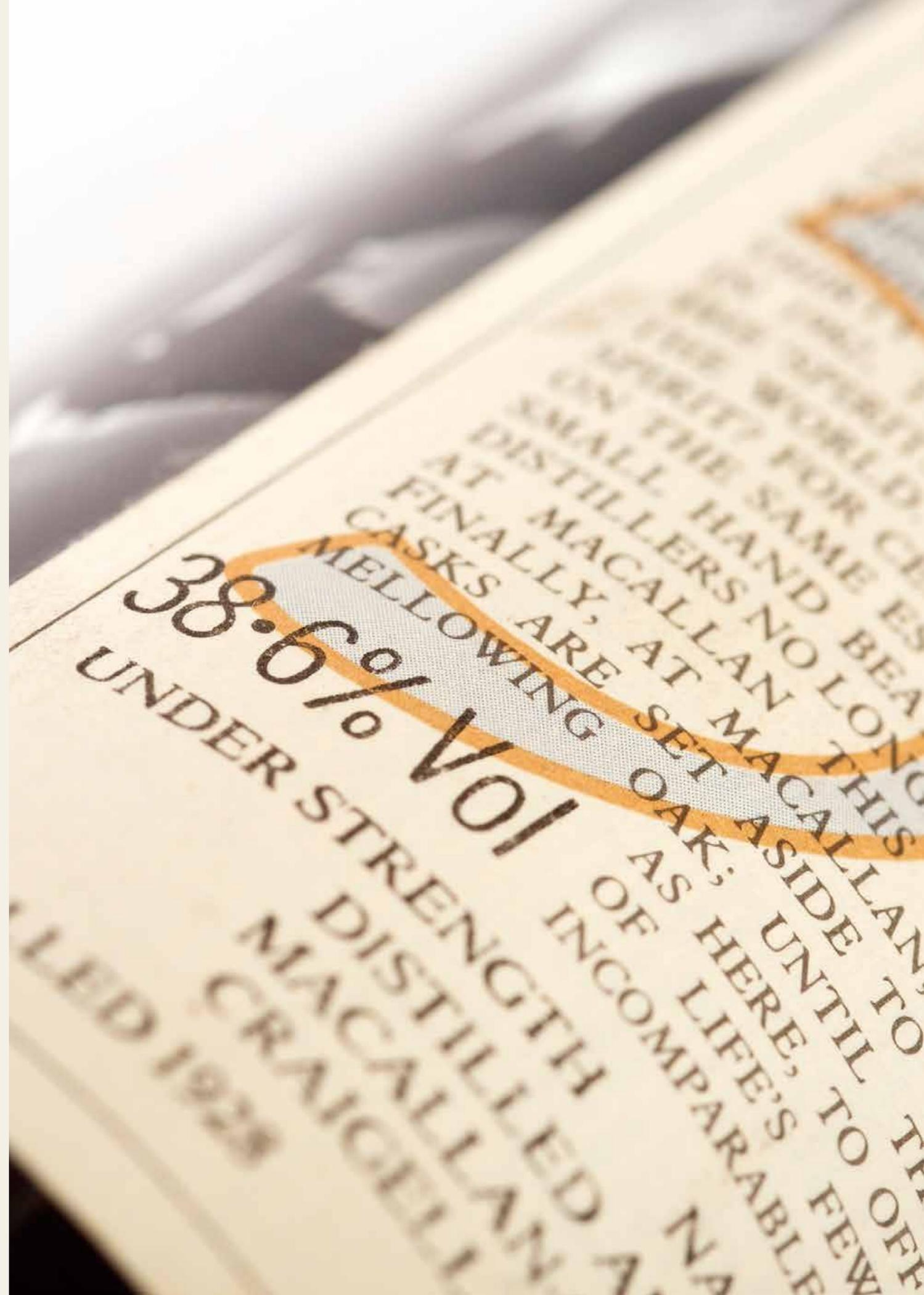
AVERAGE PRICES FOR VINTAGE RELEASES FROM 1991 - 1997



At the time of writing, the only retail price reference for the 2016 (non-vintage) 18 year old release was £200, so a buy-and-hold strategy is required for these bottles for a period of five years before break-even is achieved. This could also be viewed as a secondary market buying opportunity. Data suggests a period of ten years is required before even the most iconic of drinkers, collectors and investors bottles doubles in price.

The Macallan's Premium in the market

GlenDronach has been frequently mentioned as a challenger to The Macallan's sherry-matured dominance in the market. From a perceived value perspective, can GlenDronach compete with The Macallan? Comparing average 2016 auction prices for GlenDronach 18-year-old vintages from 1972 - 1977 inclusive with the same vintages from The Macallan, the average GlenDronach price is £386 per bottle. The average price of the same vintages from The Macallan's 18-year-old vertical bottlings is £983 per bottle. The Macallan's premium in the market against what is being viewed as one of its challengers is 154.66%.





RARE WHISKY 101 CONTINUED PROLIFERATION OF FAKES

Refills, Replicas and Relics

With values at record highs for many desirable bottles of rare whisky, we continue to witness increased numbers of fake bottles hitting the market.

The vast majority of the UK's dedicated and knowledgeable whisky auctioneers are consistently policing the market where they have 'eyes-on' and can identify rogue sellers and/or bottles.

It is impossible to place an estimate on the value of fake bottles/liquid in the broader market. However, what we can say with 100% certainty is we are observing an increasing number of fakes across all value segments.

During 2016, we acquired a bottle of "1903 Laphroaig" and undertook a series of forensic and analytical investigations to prove its authenticity. We assessed the glass, the label, the capsule, the cork and ultimately the liquid and have proven, beyond any reasonable doubt it is not the genuine article.

We Classify Fakes In Three Broad Categories

Refills

Bottles which are easily refilled, re-sealed and re-sold. These can be exceptionally hard to spot without opening, as everything about the bottle is genuine - other than the liquid! Refills are bottles that have been opened and refilled with an alternative liquid, then the original capsule has been carefully re-applied. One of the bottles of Ardbeg Very Young in the image opposite is a refill. The bottle, label, cork stopper and even the closure are 100% authentic with only the liquid in one bottle being fake (colour-matched cold tea). Impossible to spot without opening. We have recently noticed in a 40 year old Dalmore that the capsule had been carefully sliced open at the back, bottle contents refilled (with lighter liquid) and the capsule re-sealed and bottle placed at auction.

Replicas

These tend to be the many classic fakes we have seen over the years, where the labels are reproductions of the genuine article. These can be easier to spot as labels often look 'wrong', especially where metallic text/bronzing/detailing is hard to apply without using expensive printing equipment. Replicas are bottles where the fakers have tried to reproduce the labels - neck, shoulder, front and back - and often they get very close to perfection and the unsuspecting auctioneer and their buyers may not spot these issues. The Macallan is the classic replicated brand, but with prices where they are, why would it not be? The image opposite shows a classic fake 30-year-old. There is no way the brand would allow a label of this quality to be released. A genuine bottle is currently worth around £3,500 at auction, so the rewards for this criminal activity can be substantial.

Relics

Antique/ancient, very old looking bottles. We recently had sight of a list of exceptionally old/rare bottles in the 'Relics' category where, out of 499 bottles, we suspected 486 to be fake. The few, which could be genuine, were more recent releases, so stood a chance of being real. If these old bottles were authentic, we estimate they would carry a minimum approximate value of around £10,000 per bottle (some would certainly be far more individually), so around £5million in total. If an inexperienced buyer thought these were the real deal and took them through a private sale, someone could easily be duped out of a significant amount of money. Given that the whole auction market in the UK is worth some £14m, to find a collection of fakes worth £5m is clearly concerning.



So what steps can be taken to prevent the unsuspecting buyer acquiring a fake?

1. Never buy rare or collectable bottles through an online peer-to-peer auction (e.g. where a seller lists their own bottle(s) and sells direct to a buyer and there are no 'eye's on' auctioneers to look at the physical bottles which is the first back-stop). The vast majority of online/traditional auctioneers take fakes very seriously and, given the growing competition in the marketplace, understand that reputation is critical.

2. If it looks too good to be true then it really is. If something is clearly sitting below its market value, there is something wrong. In the current buoyant market for rare whisky, genuine bottles sell for what they are worth. Do not be tempted by that

seemingly amazing bargain.

3. Sounds obvious but don't buy ANYTHING from 'the bloke in a pub'! We're hearing (anecdotally at the moment) about an increase in fake valuable bottles being sold/bought like this.

4. We've offered advice and guidance on fakes to our customers for a great many years and we have a list of bottles NEVER to buy at auction, no matter how good they look. Certain bottles are particularly susceptible to being refilled with virtually no exterior signs of tampering. The aforementioned Ardbeg Very Young is on that list.

5. Be wary of deceased relatives! Said a little tongue in cheek, and we do value/sell a great many collections from deceased estates, but it is surprising, and somewhat saddening, how many times we've heard this - "my {add relative - usually uncle} sadly passed away recently and, to our great surprise, in the loft, hidden away, we found a bottle/bottles of {add the name of any well-known distillery or

distillery closed in the 1800s or early 1900s} dated from {add any date in the mid/late 1800's}. How much would you buy it for?". When we delve a little deeper, and start asking basic questions about provenance, the trail usually goes cold. When we are dealing in old and rare bottles, we insist on physically inspecting each and every bottle.

6. Carbon dating - It is a fairly expensive process (c£600 per test) and requires a sample of liquid, but this can be removed with a hypodermic needle, so need not wholly compromise a bottle's integrity. Equally a bottle with proved age would be worth far more to a collector, so the process could arguably add value. Any potential buyer of particularly old bottles should ask the vendor to carbon date the liquid. Over the years, we've done this a number of times with old bottles of Scotch and also other reportedly old spirits. The process has been immensely useful, to the degree we recently wanted to buy a significant tranche of old bottles (non-Scotch) as the liquid was of very high quality.





Upon carbon dating, we rapidly extricated ourselves from progressing the purchase. What was meant to be from the early 1900s turned out to be from the 1980s! Although the analysis will not identify an exact year it will give an estimate of when the living matter (barley or grape) stopped living and thus its Carbon 14 isotope was fixed.

7. Do your research - If the intent is to spend a relatively large amount on a bottle, make sure it looks like it should. A quick online search usually throws up many images of genuine bottles; buyers should make sure their target bottle looks the same. Is the capsule the same, is the bottle shape the same, is the liquid the same colour (sometimes hard to tell with simple photos), is the label the same - front and back, is the packaging or box the same, and so on. It sounds basic, but it is surprising how many people have been caught out when closer inspection would have clearly revealed inconsistencies.

8. If consumers/drinkers want to take it one step further, then purchasing a portable alcohol meter could be considered.

They're not without cost (c£1,000 per meter) but ours has been invaluable to our clients and us over the years. It's accurate to +/-0.2% ABV, so is more than accurate enough to reveal when something is at 40% when it should be 43% etc. Clearly a bottle needs to be open to test it, but it confirms, without question or doubt, when bottles are fake. Just before Christmas we were looking at an old bottle suspected of being fake but not confirmed. It was reported to be at 46% alcohol by volume on the label - we tested it and it came out at 33.8%. The fill level (the amount of spirit in the bottle) was good, so alcohol evaporation could not be the cause.

It is not just Scotch that is being targeted by the fakers.

We have recently seen fake Japanese whisky and we have seen fake bottles of the now legendary (and exceptionally expensive) Hanyu Cards series. With recent increases in

values being so rapid, we have absolutely no doubt we'll see more fake high-end Japanese bottles appear on the market. As other Scotch distilleries become increasingly popular and the liquid more valuable, we're starting to see suspected fakes from the likes of GlenDronach and others. It is not just top end, high value bottles we're seeing, but lower value, easily re-filled bottles also pose a threat.

In the current market where rarities are appreciating in value, the incidence of fakes will increase - anyone (auctioneer, brand owner or collector) who says otherwise is fooling themselves. The key thing for buyers is to not be averse to simply walking away. No matter how much a bottle is needed to complete a collection or is reported to be the best liquid in the world, if anything looks even slightly wrong about it then leave well alone. One of our customers recently said of the subject of fakes, and his words sum it up perfectly - "If it smells fishy to me...it's usually fish - not Scotch!".

RARE WHISKY 101

RARE WHISKY COLLECTORS' RANKINGS

The collectors' ranking is a league table based on an equal weighting for the number of bottles and the £ value of those bottles sold at auction in the UK. Analysis of this allows the rare whisky enthusiast to understand which brands are most actively traded (bought and sold) at auction in the UK and for the highest cumulative total values.

In 2016 we see little movement with the top three places occupied by The Macallan, Ardbeg and Bowmore. The next three spots have Highland Park and Bruichladdich trading places and Glenfiddich remains static at No 6. The other noteworthy movers are - Lagavulin (in its bicentenary year) rising 3 places, Arran up 2 and GlenDronach up 4. The fallers of note are Glenlivet, Caol Ila and the silent still Rosebank.

RANK	31st DEC 2015	31st DEC 2016	MOVEMENT (FULL YEAR 2016)
1	Macallan	Macallan	=
2	Ardbeg	Ardbeg	=
3	Bowmore	Bowmore	=
4	Bruichladdich	Highland Park	UP 1
5	Highland Park	Bruichladdich	DOWN 1
6	Glenfiddich	Glenfiddich	=
7	Glenmorangie	Lagavulin	UP 3
8	Port Ellen	Glenmorangie	DOWN 1
9	Springbank	Port Ellen	DOWN 1
10	Lagavulin	Springbank	DOWN 1
11	Laphroaig	Laphroaig	=
12	Balvenie	Balvenie	=
13	Glenlivet	Arran	UP 2
14	Caol Ila	GlenDronach	UP 4
15	Arran	Glenfarclas	UP 1
16	Glenfarclas	Glenlivet	DOWN 3
17	Dalmore	Caol Ila	DOWN 3
18	GlenDronach	Dalmore	DOWN 1
19	Rosebank	Brora	UP 1
20	Brora	Talisker	UP 1
21	Talisker	Rosebank	DOWN 2
22	Bunnahabhain	Bunnahabhain	=
23	Kilchoman	Kilchoman	=
24	Glen Grant	Mortlach	UP 1
25	Mortlach	Glen Grant	DOWN 1
26	Aberlour	Aberlour	=
27	Glengoyne	Glengoyne	=
28	Clynelish	Clynelish	=
29	Linkwood	Linkwood	=
30	Glenrothes	Glenrothes	=

N^o1



MACALLAN

N^o2



ARDBEG

N^o3



BOWMORE

Up $\frac{p}{03}$

LAGAVULIN



N^o7

Up $\frac{p}{02}$

ARRAN



N^o13

Up $\frac{p}{04}$

GLENDRONACH



N^o14

DOWN 03



N^o16

GLENLIVET

DOWN 03



N^o17

CAOL ILA

DOWN 02



N^o21

ROSEBANK



N^o1

BRORA

N^o2

MACALLAN ^{Up}₀₄




N^o3

DALMORE

BALVENIE

U^p₀₇



N^o10

ARDBEG

U^p₀₆



N^o09

LAGAVULIN

U^p₁₀



N^o19

DOWN 04



N^o8

MORTLACH

DOWN 17



N^o26

GLENUGIE

DOWN 05



N^o25

ROSEBANK

RARE WHISKY 101

RARE WHISKY INVESTOR RANKINGS

The Investors' distillery ranking is 80% weighted on the percentage change in value for all bottles from a distillery, with a 10% weighting on the highest average price and the remaining 10% on the overall highest price of a single bottle.

Much more fluid than the collectors index, this table can highlight distilleries which rapidly become hot - or icy cold - and acts as an early warning indicator to the astute buyer of where to focus.

RANK	31st DEC 2015	31st DEC 2016	MOVEMENT (FULL YEAR 2016)
1	Brora	Brora	=
2	Killyloch	Macallan	UP 4
3	Dalmore	Dalmore	=
4	Mortlach	Killyloch	DOWN 2
5	Port Ellen	Port Ellen	=
6	Macallan	Bowmore	UP 10
7	St Magdalene	Convalmore	UP 1
8	Convalmore	Mortlach	DOWN 4
9	Glenugie	Ardbeg	UP 6
10	Ben Wyvis	Balvenie	UP 7
11	Dallas Dhu	St Magdalene	DOWN 4
12	Glenloch	Glen Grant	UP 10
13	Millburn	Dallas Dhu	DOWN 2
14	Talisker	Glenury Royal	UP 4
15	Ardbeg	Glenloch	DOWN 3
16	Bowmore	Talisker	DOWN 2
17	Balvenie	Springbank	UP 8
18	Glenury Royal	Millburn	DOWN 5
19	Lochside	Lagavulin	UP 10
20	Rosebank	Lochside	DOWN 1
21	Hillside	Banff	UP 3
22	Glen Grant	Glen Garioch	UP 49
23	Coleburn	Highland Park	UP 16
24	Banff	Glenfarclas	UP 32
25	Springbank	Rosebank	DOWN 5
26	Clynelish	Glenugie	DOWN 17
27	Glen Albyn	Jura	UP 19
28	North Port	GlenDronach	UP 27
29	Lagavulin	Brackla	UP 3
30	Glenfiddich	Clynelish	DOWN 4

Brora and Dalmore consolidate their top 1 and top 3 positions and deliver the same success as 2015. The Macallan, as noted earlier in our report, has had a stellar 12 months so it is scant surprise we see a four-place jump to number 2.

Islay distilleries worthy of mention are Bowmore, Ardbeg and Lagavulin. All have made excellent progress and re-confirm there is no let-up in demand for heavily-peated Scotch. The main drivers behind these rises are old aged spirit, single casks and older vintages.

Looking to the mainland, Speyside distilleries Glen Grant, Balvenie, Glenfarclas and GlenDronach have seen significant increases. While average prices for GlenDronach might not be able to shine a light at the might of The Macallan, there is still massive market appetite for the attractively priced sherry challenger.

Glenfarclas has been buoyed by vastly underpriced ancient vintages attracting keen prices and starting to catch up with other distilleries. The 1950s/1960s Family Cask vertical (especially earlier editions) is a great example of sought-after bottles.



As a currently producing distillery, Glen Grant is almost unique with regard to the sheer extent that independent bottles (mainly old vintages from Gordon & MacPhail) are pushing prices. Prices for official distillery bottles remain depressed at auction. If we separate Glen Grant official bottles from their independent cousins, and re-run the investors ranking, we see Glen Grant (independent bottles) move up to 7th place and Glen Grant (official bottles) sink to 77th. Other 'similar' distilleries where this is seen, but no where near to the extent of Glen Grant, are Mortlach and Talisker.

Throughout 2016, in the top 30 rank, there have been a total of 49 'places' moved down. 39 of these are accounted for by silent stills. Out of the 13 silent distilleries in the top 30, two have remained equal (Brora and Port Ellen), three have moved up the rankings and a hefty eight have moved down.



RARE WHISKY 101
CRYSTAL BALL GAZING

The continued rise and rise of volume and value in the secondary rare whisky market further cements the importance of this dynamic channel.

As already mentioned, we've seen what in theory is a primary market retail release sold through auction. We've seen traditional online rare whisky retailers continue to expand in to and evolve their secondary market offers. Sellers are becoming more confident in placing 'big' high value bottles at auction, which, in turn, generates increased buyer interest. The rare whisky market seems to have further room for growth.

A continued favourable forex rate (for those buying outside the UK), the volatility experienced by more traditional asset classes and the uncertainty of geopolitical change has served to fuel demand. Buyers like to collect and hold a physical asset. Bottles of whisky are relatively small and these high value items are easy to store, so we see Scotch as remaining 'hot'.

We remain nervous when we see growth such as that experienced by Karuizawa in 2015 and The Macallan 18-year-old vintages in recent times, as rapid rises are often followed by natural corrections and we must stress even the mighty Macallan has seen troughs as well as peaks. That said, we do not believe the market is in a bubble, as some have said for almost the last five years, but we do anticipate a stabilisation or re-trace in values for certain brands, as bottles risk becoming too expensive for the broader market and demand softens.

The silent stills sector has not really broadened beyond Brora and Port Ellen although we have seen some strong gains on Rosebank. The second tier silent stills continue to appear at auction but we are unable to discern any clear patterns on which distilleries may join the silent holy trinity. Of note is that Brora and Port Ellen are both, to some degree, brands with official bottles generating continued annual PR. They also both have some exceptional liquids, far more than many other silent stills (who were closed due to cost of production or liquid quality, or both!).





Polarisation continues to be apparent - not every bottle of single malt will appreciate.

A good example could be taken from the 2014 Clynelish 'Select Reserve' which originally retailed for £500 and sells at auction for c£250. It is great liquid, so at £250 it is a good opportunity to top up the drinks cabinet, but this serves to prove even limited releases from cult-status distilleries can yield steep losses as an investment.

Despite the continued de-aging of new/retail products in the Single Malt Scotch category; age (both older age statements and older bottles 'in-the-glass') and vintage are still key-stone drivers to the collectors'/investors' market. We see demand for older bottles only increasing and our private clients continue to demand the best.

As noted in our 2016 H1 report, the power of acquiring rare whisky now lies in the hands of the buyers - the connoisseurs, the collectors and the investors - who research the primary market and more and more frequently, the secondary/auction channel. The explosion in the UK auction market in both volume and value looks to be evolving into a sustainable sub-industry for Scotch. That said, (despite what fraudsters and fakers try to bring to the market) there are a finite number of bottles available for re-sale, and many are being consumed. The market will reach a supply equilibrium at some point. When it does, it will be interesting to see what happens to prices if demand remains as it is, or continues to accelerate.

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