

# 2020 – Q2 Whisky Investment and Market report

## Covid-19

Firstly, we hope that our readers and their families remain safe and well during these difficult times. Covid continues to dominate the news, but there seems to be light at the end of the tunnel with the news that vaccine development is progressing well. We cross our fingers that this will arrive sooner rather than later.

## The Rare Whisky Market

In the midst of the Covid-19 crisis, the market for rare whisky remains buoyant, continuing to demonstrate that the demand for rare whisky is as strong as ever.

- The APEX 1000 (covering 1,000 different bottles/whiskies sold at auction in the UK) has increased by 4.16% YTD May 2020.
- In April and May, key lockdown months, the Apex 1000 increased by 0.32% and 0.59% respectively.
- Average price per bottle has increased from £ 316 on average in Q4 2019, to £ 328 in May. The price per bottle has increased month on month since Jan 2019.
- The Macallan continues to dominate the rare whisky market with 40% market share in value terms.

The Single Malt Fund has always maintained that there is little correlation between the market for rare and collectible whisky and the more traditional stock and bond markets. The latest RW101 update shows that Scotch whisky can weather any storm with little or no volatility. Only gold has outperformed rare whisky so far this year, although gold, like traditional markets, is much more volatile.

## Industry Update

The highlight of Q2 was the publication of Edrington's annual report. Their fiscal year ends March, so the numbers included the early impact of Covid. Core revenue grew by 6% for the year, with volumes up by only 3%. This reflects the ongoing premiumisation of the category, with producers pushing prices up and consumers trading up. Impressively, core contribution grew by 13%, thanks mainly to Edrington's powerhouse, The Macallan.

The most interesting part of the report, from The Single Malt Fund's perspective, was the news that free cashflow at Edrington dropped by 26%. This reflected "an increased investment in casks and maturing stocks for future growth". Their net book value of maturing stocks has increased substantially, and at a much higher rate than current sales revenues, "in order to support projected growth over the next 12 years and beyond". This goes to show that the industry continues to play catch up with the demand of the consumer for premium whisky, and is expected to do so for quite some time.

## TSMF Activities in Q2 2020

Trading was suspended in Q2 due to the Covid lockdown and consequent logistics closures.

