

Whisky Investment and Market Report – Q4, 2022

Welcome to the Q4 2022 Single Malt Fund Trading Ltd report, where we comment on the latest developments in the rare whisky as well as broader industry markets and give an update on our trading operations.

Industry news

In November, Diageo announced that it had agreed to buy Balcones, the “super-premium and above” American single malt distiller. American single malt is driving the whiskey market in the US with an average of + 18% growth from 2016 to 2021. This compares to the total super premium and others market which still delivered a healthy growth of + 13%. This is a big statement in terms of premiumisation as well as the future of American whiskey.

In our last report, we shared news of Diageo’s trading commentary announcement made in October, ahead of its AGM. To add to this, we would like to share the key comments from their CEO as follows;

“We expect the operating environment to remain challenging with ongoing volatility due to geopolitical uncertainty, a weakening of consumer spending power, inflationary pressures and disruption related to Covid-19. However, I am confident in the resilience of our business and our ability to navigate these headwinds while executing our strategic priorities, including our ambitious 2030 sustainability plan.

We remain well-positioned to deliver our medium-term guidance for fiscal 23 to fiscal 25 of organic net sales growth consistently in the range of 5% to 7% and organic operating profit growth sustainably in the range of 6% to 9%.”

It will be interesting to see how strong the headwinds are and how major players like Diageo navigate through them.

Pernod Ricard released its 2021 / 2022 annual report in Nov. Net sales +17% to exceed €10 billion for first time.

Conviviality, sustainability, data and technologically driven change were all at the heart of the Chairman’s message. The key drivers of growth in the coming years are expected to be;

- “More from the core”, ie, driving the core prestige pillar brands
- Scale up innovation
- Broaden coverage of route to consumer / consumer insights
- People and sourcing

As well as the strategic guidance, it should be noted that Jameson exceeded 10 million cases for the first time in 2021 / 2022.

Karuizawa and Dekanta join forces to revive Karuizawa name.

As reported in Whisky magazine in December, “two Japanese companies are joining forces to revive the Karuizawa name in whisky with the opening of a brand-new distillery, plus private cask sales and independent bottlings.

The newly formed Karuizawa Whisky Co. and Japanese spirits specialist dekant have signed a 10-year partnership to bring the legendary whisky brand back to life – with permission granted to use the Karuizawa name on their spirits.

At the heart of the partnership is a new Karuizawa Distillery – in the mountain resort from which the original distillery took its name – which was built by Karuizawa Whisky Co. and started production in December 2022. The new facility will only produce sherry cask-matured whisky (a nod to the original distillery), filling 250 casks each year, and does not plan to bottle any spirit under 10 years old. All casks will be stored at the distillery and bottling will take place on-site.”



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Q4 Highlights

- Industry news
- Rare Whisky 101 report
- Auction update
- Trading update

Icons of Whisky and World Whisky awards.

The Icons of Whisky Scotland awards were held on 8th Dec 2022 at Balmoral, hosted by whisky Magazine, with the following key winners;

- Glenfarclas; distiller of the year
- Whyte & Mackay;s Greg Glass Master Distiller / Blender of the year.

Prior to this, the magazine held their Icons of Whiskey Ireland awards on Nov 24th in Dublin. The main winners were:

- Irish Distillers; Distiller of the year
- Waterford: highly commended
- Master Distiller: Paul Corbert, Powerscourt Distillery

Irish Whiskey Association published its second annual International Trade Report; overall sales up 21%.

Challenges with supply chain and headwinds ahead but, according to Bushmill’s master distiller, Colum Egan, premiumization and sustainability are the keys to success.

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Rare Whisky Q4 results

The Rare Whisky 101 Apex 1000, the barometer of the UK auction market for rare whisky bottles, declined by 1.7% in Q4, the second quarter of decline in a row. The Icon 100 and the Japan 100 were the indices that suffered the most. From a brand perspective, despite some positives, most notably from Balvenie, almost all brand indices dropped in Q4. The Macallan at -11% should attract the most attention given it's importance to the UK auction market, as will the first quarterly drop in the Yamazaki and Karuizawa indices for quite some time. Is the bubble bursting or is this a temporary blip?

The fundamentals of high demand and low availability of rare and collectible whiskies shows no sign of abating. The industry simply does not have enough old whisky to go around and the rare bottles get rarer with age. These results seem to reflect a combination of the impact of the increased cost of living being felt across the globe as well as (and probably more importantly) a season of big news coming out of China, including the re-coronation of President Xi Jinping and the new spread of Covid across the country.

The year ended on a positive note, however, with news of the opening up of international travel as well as a new focus on growing the Chinese economy. It will remain to be seen if that results in a pickup in the sales of premium whiskies to Chinese collectors and investors.

Index	Q1	Q2	Q3	Q4	YTD
RW Apex 1000	5.2%	3.9%	-0.6%	-1.7%	6.9%
RW Icon 100	11.5%	3.4%	-3.2%	-10.0%	1.0%
Japan 100	9.0%	3.9%	3.0%	-4.1%	11.8%
Single Grain	2.2%	4.2%	0.2%	0.0%	0.8%
Ardbeg	1.2%	8.4%	0.9%	-4.1%	6.1%
Balvenie	-0.3%	-2.0%	19.3%	3.5%	20.5%
Bowmore	5.4%	-2.7%	1.3%	-1.3%	2.5%
Brora	12.2%	-0.6%	-11.0%	1.1%	-0.1%
Bruichladdich	-7.7%	17.7%	-8.6%	-8.1%	8.9%
Bunnahabhain	2.0%	10.7%	-2.8%	-11.9%	-3.4%
Caol Ila	10.1%	1.1%	-7.0%	-1.7%	1.7%
Clynelish	1.3%	-2.6%	-1.9%	2.9%	-0.3%
Dalmore	0.6%	-4.9%	-0.9%	-1.2%	-6.3%
Karuizawa	10.9%	6.9%	5.5%	-4.1%	25.0%
Glendronach	3.4%	8.0%	12.4%	3.5%	29.8%
Glenfarclas	0.3%	-0.3%	6.2%	-6.4%	-0.5%
Glenfiddich	1.9%	-0.5%	2.6%	-4.9%	-1.1%
Glenlivet	4.2%	-3.6%	0.9%	1.9%	3.2%
Glenmorangie	-1.1%	4.5%	-5.1%	-0.7%	-2.6%
Highland Park	4.8%	1.0%	-0.2%	-2.5%	3.0%
Lagavulin	-2.0%	3.9%	-1.1%	-6.7%	-6.0%
Laphroaig	3.3%	6.6%	-6.6%	3.9%	6.8%
Macallan	12.6%	4.3%	5.9%	-11.0%	10.7%
Port Ellen	5.2%	2.7%	2.5%	-18.7%	-10.0%
Rosebank	6.5%	-6.5%	-5.5%	-7.8%	-13.2%
Springbank	5.8%	0.8%	2.1%	-0.1%	8.6%
Talisker	11.8%	10.0%	2.6%	-4.6%	20.5%
Yamazaki	10.9%	35.9%	6.8%	-3.6%	55.2%

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Auction Update

Sotheby's had a busy final quarter with 6 whisky auctions held across the globe. Some impressive prices were reached across the usual main players;

Oct 5 in London: World's oldest whisky, The Macallan The Reach 81 YO; GBP 300,00

Oct 4 in HK: Karuizawa full set of Views of Mt Fuji: HKD 1.375 million. Yamazaki 35: HKD 1 million

Oct 21 in London: The Macallan Sherry butt cask: GBP 937,500.

Nov 16 in London: The Dalmore 48 year old Luminary number 1: GBP 118,750

Dec 10 NYC: Yamazaki 55 year old: US\$425,000

Bonhams were less active but one event in Hong Kong in November did stand out. A set of Karuizawa 36 views of Mt Fuji reached HKD 1.5 million, while a Macallan Lalique 55 YO sold for HKD 750,000.

The Single Malt Fund Trading Activities in Q4 2022

The highlight of Q4 was the launch another exclusive single cask bottling, this time a 10-year-old from Green Spot, part of the Irish Distillers stable. Selling for €380 and bottled at a whopping 58% ABV, this is a true winter warmer. Only 192 bottles were released most of which sold during the festive period.

On top of the Green Spot, Q4 marked the sale of an exceptionally old and rare single cask for an undisclosed but significant fee. To top off a solid quarter, we received our first order of The Macallan direct from Edrington and look forward to building a solid partnership with this key supplier as we go into 2023.

Our first year for the e shop, www.thesinglemaltshop.com ended with the follow key numbers:

- €1.2 million in net sales
- 3,342 orders
- 5,658 units sold across 408 skus
- 2,503 customers in 34 countries
- Ave order of 1.7 units / €357
- 46,300 Facebook fans.

We would like to take this opportunity to thank all our suppliers and partners for all their support throughout 2022.

Slainte!

Ed Forrest

Managing Director – The Single Malt Fund Trading Ltd.

