Whiskey Cask
The Dublin Liberties
Distillery

Inhalt

1 Introduction

We are pleased to invite you to participate in our Whiskey Cask campaign organised at The Dublin Liberties Distillery.

An opportunity has emerged to invest directly in new make whiskey that will be transferred into casks and subsequently matured with the intention to sell at the end of the investment period.

There are whiskey investors all over the world who have been in this business for a very long time. Investing in high-end alcohol is a very appealing endeavour due to high historical returns. Those investors have historically been the wealthy who are not deterred by high barriers to entry. That's because not everyone has the capital, contacts, nor the time needed to afford such an investment on their own.

Until recently, it has not been possible for private investors to participate in such opportunities without committing a substantial amount of capital.

2 Factsheet

Type	Irish Whiskey
Distillery	The Dublin Liberties Distillery
Location	Dublin, Irland
Cask Type	Ex-Bourbon Cask
Size	1 Pallet containing 6 Casks of 200 Litres each
Price	€22,000
Price per Splint	€50
Number of Splints	440
Investment Horizon	9 - 11 Years

3 Investment Decision

The investment in casks of whiskey is one of the most appealing alternative Investment opportunities out there. The investors gain security in the form of an appreciating asset and at the same time, they can enjoy a stable return of approximately 12% per annum in historical prices. All that, while supporting a growing business in Ireland.

The Dublin Liberties Distillery scores highly in relation to price, liquidity and quality. While the distillery is relatively young and still establishing its brand on the market, this is offset by numerous awards won in the past two years.

Dublin Liberties also possesses a highly competent management team with decades of experience in the sector, most notably, Darryl McNally, their Master Distiller.

Moreover, being involved with a brand at this point in their business lifecycle increases the upside potential of the investment due to a rapidly growing customer base generating additional demand for their products.

4 Rating

8/10

Return
We have rated the upside potential of this investment opportunity as relatively high. When averaged out among similar investments, whiskeys of this kind return approximately 12% per annum. The return could end up being much higher if the distillery continues to grow in popularity and as the whiskey exceeds 8 years of age.

9/10

Stability
We have rated the stability of this investment opportunity as relatively high. The maturing whiskey gains value over time. This decreases the probability of making a loss at the end of the investment period even if the base price might fluctuate to a certain extent. Additionally, whiskey cannot traditionally "go bust" as it's not a business entity.

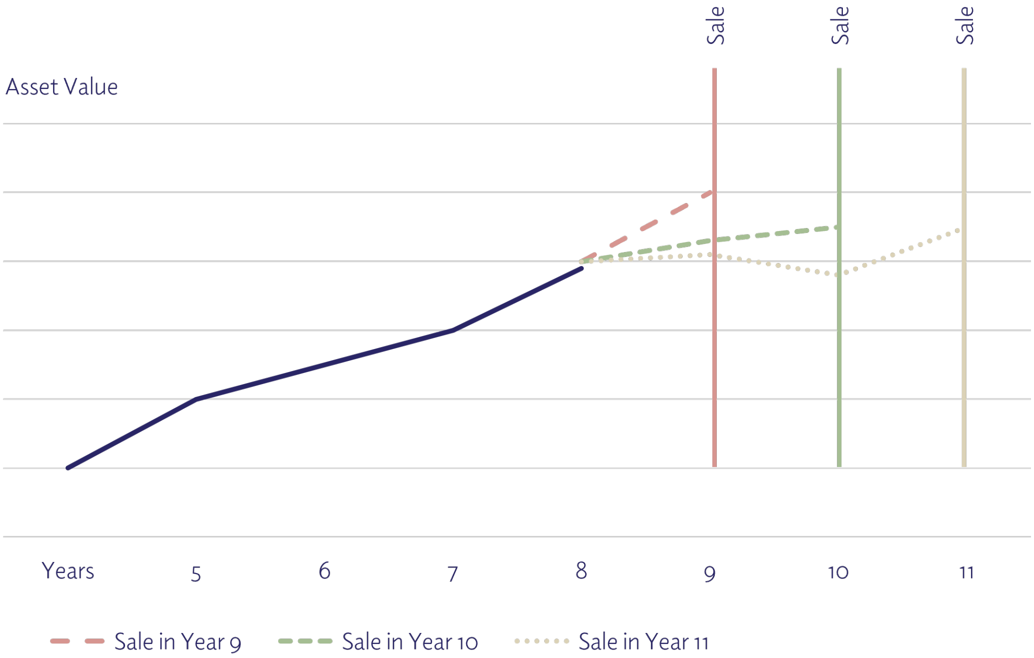
6/10

Track Record
We have rated the track record of this investment opportunity as medium. On one hand, investing in aging whiskey is something that has been done for more than a century, but on the other hand, the Distillery in question is still young and in the process of establishing themselves on the market. However, as previously mentioned, the Master Distiller is particularly experienced and has a very positive track record.

5 Investitionsprozess

Purchase	We purchase a pallet that contains six casks of maturing whiskey from the distillery. We manage the paperwork and the relationship with the supplier.
Asset Listing	The investors participate in the opportunity by buying Splints. Each €50 Splint equates to approximately 3 litres of new make spirit (4 standard bottles), spread evenly across all the casks on the pallet. This ensures that the risk is never attached to a single cask.
Storage & Insurance	The casks are stored for 10 years in the distillery's bonded warehouse and are insured.
Sale	After 9 to 11 years, we sell the casks. The proceeds from the sale are proportionally distributed to Splint Holders.
Payout / Reinvestment	The Splint Holders now face a choice between cashing out, reinvesting in a different pallet, or reinvesting in a completely different opportunity listed on the platform.

6 Investment Horizon



Stable increase in intrinsic value of the cask

The investment horizon for this opportunity has been set to 9 to 11 years.

Approximately 90% of Irish Whiskey is sold before it reaches the age of 8. This implies that by waiting for 2 more years we are dealing with a highly scarce commodity which can then provide a higher return. We are also prepared to sell in Year 9 if we receive a very generous offer for the pallet at that stage. On the other hand, if we are already in Year 10 and we do not find a buyer that offers a price that our expert team deems satisfactory, we are willing to wait for another year.

This is because selling is a game of patience and trying to sell at a very specific point in time often equates to accepting a lower price.

Splint

7 Cost Analysis

Asset Value	19,000	€
Service Costs	3,000	€
Price	**22,000**	**€**
Number of Splints	440	
Price per Splint	**50**	**€**

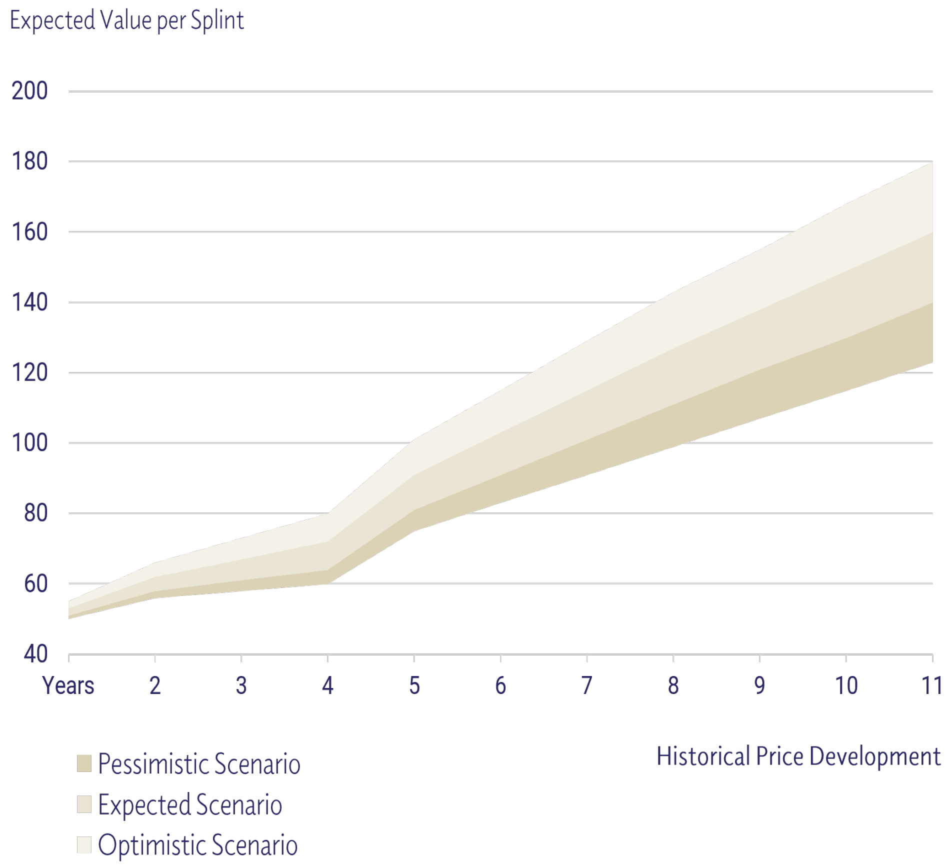
Additional Information

It is important to mention that alcohol duty is not applicable to Splint Holders as the pallet is stored in a bonded warehouse. This manner of alcohol storage does not cancel the tax completely, it just delays it and excludes the investors from the process. The way this works is that the future buyer of the cask, who would like to subsequently bottle the whiskey and sell it in a shop, would be the one responsible for paying those taxes.

At the end of the investment period, a sale can be organised privately or via an auction house. The first preference for Splint Invest is always a private sale. This is because auctioneer fees tend to be more costly.

Splint Invest will charge an exit fee of 2% applied to the proceeds from the sale of the asset. Each Splint Holder bears a proportional part of the costs.

8 Investment Forecast



Investment held until the end of the investment period

The total expected value of the asset at the end of the investment period of 11 years based on historical prices* is between €57,000 and €65,000. This would imply a future value between €140 and €160 per Splint after a full expense reduction.

However, depending on how the investment develops, the return could end up being much higher. As whiskey matures, it becomes rarer. Rare Whiskey appreciates in value faster than new make spirit.

*Whiskey prices can change, and historical data is not a guarantee of future performance.

Suppy

Adam decides to exit before the end of the investment period and offers his Splints for sale on the secondary market.

Demand

Anna would like to participate in the investment opportunity and buys the Splints by accepting Adam's offer.

Exit before the end of the investment period

If a Splint Holder decides to exit the investment early either by arranging a sale via Contact Form or our Secondary Market (to be introduced during Winter 2021/2) then the new owner of the Splint takes on the remainder of the variable cost.

For example, if 10 years of storage and insurance are paid in advance but the investor chooses to exit after 3 years, then the new owner of the Splint takes over 7 years of those costs. This will be reflected in the acquisition price on the Secondary Market.

9 ESG Considerations

Investing in the Whiskey Cask Campaign with the Dublin Liberties Distillery is in line with international ESG norms. There is no excessive production, since the distillery is relatively small, and the supply is immediately met by demand. By investing in this asset, one supports a long-standing tradition of Irish Whiskey which has been suppressed by various conflicts in the past. Our screening process showed no evidence of any involvement in corruption and the brand enjoys a very strong reputation. Irish Whiskey is a highly regulated sector which channels producers into being transparent and following clearly established rules.

At Splint Invest we strictly avoid investments that breach international ESG norms. We strive to actively promote investments that target sustainability issues such as climate change and resource scarcity.

10 Asset Class Information

At the beginning of the 20th century, Irish Whiskey was actually the best-selling spirit in the world. This has changed due to a number of factors including the World Wars, American Prohibition and a deteriorating relationship with Britain at the time. However, decades have passed and currently, mature Irish Whiskey is in very high demand once again. This demand is currently not being satisfied which makes it a perfect time to invest.

In Ireland, whiskey needs to mature for at least three years in a cask before it can officially be called “whiskey”. Three years is not always the final number. There are many whiskies that are matured for 10, 12 or even 20 years before they are bottled. Whiskey does not further mature after it’s bottled and that is why it is so important to leave it in the cask until the desired age has been reached.

What this means for distilleries is that a lot of capital is tied up in those Whiskey casks that are just idle for years before they are poured into bottles and subsequently sold. This is tied up capital that a distillery could otherwise use to invest in R&D activities, new equipment or marketing.

This is where the investment case for casks comes in. If an investor offers the funds needed for a cask upfront, the distillery benefits from extra liquidity. Of course, the investor who is now the owner of the cask will be rewarded with the profits made on its sale.

Usually, the distillery retains the right of first refusal, meaning that they have the right to rebuy the cask at the market price. The market price is not set in stone, it depends on the offers made by other potential buyers.

For example, if a third party offers the investor €10,000 for an aged whiskey cask, then the distillery retains the right to purchase this cask exactly at that price. There is a multitude of whisky collectors, private labels and auction houses out there to which an investor can sell to as an exit strategy.

There are many whisky brands that do not have their own distilleries. These would be very frequent buyers of such casks. Other frequent buyers include hotels and other establishments that wish to sell their own branded whisky without dealing with the tremendous challenge of setting up their own distillery.

According to the Knight Frank's Wealth Report 2020, the value of Rare Whiskey has increased by 564% in the last decade. The global Whiskey market was estimated at USD 61.7 Billion in 2019 and is expected to reach USD 95.9 Billion by 2026.

Key factors for whiskey investment:

Supply/Demand Whisky, as with many other things in life, is ruled by the basic laws of supply and demand. What this means in the world of investing is that it is of strategic importance to seek bottles that will not only be in high demand in the future but will also have a limited supply. The premium paid for a luxury bottle of whisky can be quite high regardless of availability. However, it is quite a different story when there are only a few bottles left around the globe. On the demand side the global Whiskey Market was estimated at USD 61.7 Billion in 2019 and is expected to reach USD 95.9 Billion by 2026.

Recognition Simultaneously it is also of critical importance to ensure that the whisky in which we are investing is of high quality and is also perceived as such by the experts and public alike. It is recommended to purchase aged whisky from well-known and established distilleries or at least the ones with promising future growth prospects over the coming years.

11 Investment Evaluation

Very attractive acquisition price

Overall, the pricing of this opportunity is highly favourable to the customers of Splint Invest. The cost of €22,000 per pallet (or €3,650 per cask) is much lower than what a single investor could negotiate with the distillery directly.

Normally, casks of similar quality would cost anything from €5,000 upwards, depending on the specific requirements. However, since Splint is dealing with much higher quantities of the product, it is much easier to gain favourable terms and save cost due to economies of scale.

Another aspect that the investors need to consider is the bureaucracy of purchasing a cask. Normally, the investor would be responsible for dealing with paperwork, handling, storage and insurance but in this case, it is Splint Invest who manages those steps of the process. It is important to emphasise that there is no alcohol duty payable for the investors due to the fact that the palette is stored in a bonded warehouse. This is something that makes the investment even more attractive.

Large secondary market

As a result of the rising interest in whiskey, the demand is currently not being met. It is relatively easy to sell a whiskey cask that has already been aged. There are numerous collectors, small businesses or even whiskey brands without their own distilleries that gladly make such purchases.

Additionally, whiskey investors do not face a risk of having to dispose of old stock at a discount. This is because whiskey is not a perishable good. If in 10 years the prices on the secondary market are less attractive, then there is nothing that stops us from waiting for another year and reassessing the situation. And during that additional year, our whiskey could actually increase in value due to the fact that it has been maturing for longer, thus creating a product that is even scarcer.

Proven investment model
A big advantage of investing in casks of whiskey is the fact that it truly is a win-win for all. You are investing your money in a business that is creating a valuable product of which you are the co-owner. The distillery can use the extra liquidity while having secured enough inventory for future whiskey releases. This mutually beneficial relationship is something that in the past has been accessible mainly to larger investors and banks who could afford to buy in bulk. Now with our fractional investment model it is possible to access such opportunities with as little as €50.

The scale plays a significant role here too. Whiskey Blenders, who specialise in sourcing matured whiskey and creating their own blends, depend on reliable suppliers. This enables them to build a product that will boost their brand. They cannot easily achieve this if they constantly change their source. This is why Splint Invest is a perfect platform for private investors to store their wealth without having to worry about the business side of cask ownership. This is something that is entirely managed by our experienced team. Additionally, the costs are split proportionally across all Splint Holders which creates a further benefit of economies of scale.

The casks are stored at the distillery in Ireland where the level of regulation in that sector is very sophisticated which boosts the security aspect even further.

In the unlikely event of Splint Invest's bankruptcy, the Splint Holders retain the ownership of their whiskey.

Stable increase in intrinsic value of cask
An additional layer of security in this investment is created by the fact that the whiskey is maturing inside of the cask. Whiskey itself cannot go bust as it's a commodity. Even if overall whiskey prices decrease during the next few years, it is expected that the whiskey that has matured for more time is going to be more valuable - this is the primary economic force behind a whiskey cask investment. On the other hand, a possibility exists of whiskey prices going up in general, regardless of age. If that happens, then our investment not only benefits from the new increased price, but it also appreciates in value due to greater maturity.

Currently, almost all Irish Whiskey is sold before it reaches 8 years of age. We strategically extend the investment horizon to 10 years in order create a scarce product which can attract a higher premium.

However, one aspect which needs to be considered is what we call the Angel's Share. Whiskey that matures in the Irish climate evaporates at a rate of approximately 2% per annum, meaning that the longer we age it, the less whiskey we end up with. This, once again, contributes to the scarcity of matured Irish whiskey. In the end, the selling price is per cask and not the litres left in the cask, so we are not negatively affected by this factor.

The distillery's experienced management

One extremely important point to be aware of is the fact that The Dublin Liberties Distillery is a relatively young company. It was formally established in 2018. It is normally preferable to buy casks from experienced distilleries in order to ensure a high quality product. However, in this case, we gain comfort over this prerequisite in a different way – a highly competent management team, led by Darryl McNally, the Master Distiller.

Before starting his adventure with Dublin Liberties Distillery, Mr McNally spent over 16 years at Bushmills, where he was the Distilling Operations Manager. Bushmills is the oldest licenced whiskey distillery on the planet and for that reason we believe that the casks at The Dublin Liberties Distillery are in good hands. This belief is further reinforced by the fact that the distillery's whiskey range has received a positive public response accompanied by favourable reviews from the critics. An example of this includes the Gold Medal from Irish Whiskey Awards for their "Dublin Liberties Keepers Coin" back in 2019.

On the opposite side of the spectrum, in the unlikely event that the distillery would cease to exist at some point during the investment period, that would not necessarily be a bad thing for the Splint Holders. Of course, it would create a logistical challenge in relation to the storage of the casks but that's something that Splint Invest would manage independently. But this would ultimately make the casks even more scarce due to no more product being supplied which in turn could increase the price significantly.

12 Potential Risk Factors

Oversupply of whiskey

Whiskey is governed by the laws of supply and demand. It is possible that the supply will increase in future due to the fact that there are numerous new distilleries in Ireland. However, many of them won't be able to reach the quality standards required to produce a high-end product.

Additionally, the demand for Irish Whiskey has been increasing significantly both domestically and abroad, thanks to several emerging economies and growing interest among collectors in premium spirits.

Quality of the whiskey

It is important to ensure that the whiskey we own is of high quality. In order to achieve that, it is important to buy casks from distilleries that have enough experience in the sector. This is to ensure that the distillery is able to conduct rigorous quality control during the whole process. This makes it even more important to consider factors such as the expertise of the Master Distiller.

The Master Distiller is responsible for performing numerous procedures before the new make spirit is poured into the cask. The cask itself is also deeply evaluated. After that, it is important to ensure that the cask is stored in the right conditions, but it is rare for the whiskey to spoil once it is in the cask.

Legislation

Legislation is a significant risk that every investor must understand. There are some extreme examples in history such as American Prohibition in the 1920s where alcohol has been banned completely. Other more recent examples include various tariffs and quotas in international trade that can affect the exports and therefore the global demand.

Insurance

The whiskey has an insurance policy that covers theft, fire etc. However, it is important to understand that the insurance claim pay-out might not provide us with the same return compared to successfully finishing the aging process and selling the casks on the secondary market.

Financial crisis

In the event of another recession, or even a larger financial crisis, it is possible that the demand for whiskey will drop. This would be caused by lower disposable incomes of potential whiskey consumers who would end up spending less money on luxury goods which in turn, could decrease the prices of Whiskey. However, such a drop would be smaller compared to companies facing bankruptcy or losing a half of their market value.

New consumer trends

It is possible that the demand for whiskey could drop due to evolving consumer trends. Many young people actively choose not to drink alcohol and depending on the scale of this phenomenon, this could affect the future demand too and therefore drive the prices down.

However, currently the trend is developing in a more favourable direction: Young people drink less alcohol but of higher quality which in the end could have a positive effect on premium whiskey.

Other risks

It's impossible to list every single potential risk that exists in relation to this investment. Investors must understand that the above list includes only the main ones. Investors should always seek to verify all the information using independent sources.