



Rare cognacs and whiskies have become prized possessions today with spirit-lovers, collectors and investors forking out big bucks for these special and sometimes historic bottles. **Jacqueline Toyad** discovers the passion and profit behind these liquid assets.

Spirited collectibles

There was a time when wine was the sexy investment for leisured gentlemen with their own cellars. Each year, they would buy five cases of Bordeaux claret, put them in the cellar and wait five to 10 years. Then, they would drink two of the cases, sell three, take the profit and repeat — a pretty straightforward strategy that offered enough profits and ensured a regular flow of wine at home.

Over the decades, fine wine has managed to achieve a spot, alongside art and classic cars, as an established asset class for high-net-worth individuals interested in banking profits from passion pursuits. However, it looks like the honeymoon period with fine wine has ended, and investors are now setting their profit-seeking sights on old cognacs and rare whiskies — unofficially the new (liquid) gold rush.

Rare cognac and Scotch started appearing on the auction block in the early 1980s, at first as part of the wine catalogue before evolving into their own auction by the 1990s. Even then, these auctions were seen more as a playing field for aficionados to enrich their collections and amplify their bragging rights. That said, it has been hard to ignore the prices commanded by these bottles, especially in recent times.

In 2010, despite the fact that the world was facing one of its biggest economic crises, people were paying top dollar for these spirited collectibles. When legendary Parisian establishment La Tour d'Argent auctioned off the contents of its cellar, three bottles of cognac dating back to 1788 were sold for US\$37,000, US\$31,000 and US\$27,300 respectively. In 2012, a single Macallan 64-year-old was sold at an auction for US\$460,000, while £125,000 was

paid for a bottle of The Dalmore 62 over the counter at Singapore's Changi Airport. Last July, the priciest bottle of cognac in the world, the Croizet Cognac Leonie 1858, conserved carefully by the Croizet household for over a century and a half, was auctioned and sold in Shanghai for RMB1 million. In January, a single bottle of rare Macallan "M" whisky sold for US\$628,205 (RM2.05 million) at a Sotheby's auction in Hong Kong.

To put it quite crudely, big money means good investment. Figures such as these surely have high-net-worth individuals and their wealth managers sitting up and paying attention.

Global wealth consultancy Oracle Capital Group last year added a new share class — rare cognacs and whiskies — to its Oracle Paradis Wine Fund, an alternative asset investment initiative. When it was launched last April, David Nathan-Maister, director of the fund and a renowned expert on wine and spirits, released a statement saying that the inclusion of primarily 18th and 19th century cognacs and pre-1940 whiskies will help strengthen the portfolio and protect from flat markets and capital losses: "Rare, old spirits are currently undervalued in comparison with fine wines, having largely missed out on the wine investment boom of the last 15 years. They are set for significant increases in market value over the next 5 to 10 years."

Whisky Highland, a consultancy that works with distilleries, corporations and large estates, is one organisation that believes in the profit power of single malt Scotch. Founder Andy Simpson has been putting the word out that single malt whisky will be the next credible alternative to the more established asset classes. The fact that there's a dedicated whisky auction market reiterates his views, and his Whisky Highland offers an index each

quarter indicating the top distilleries that have produced collectible bottles.

"Whisky really started to appear at auctions in the 1990s, when a few rare bottles were tagged onto existing wine auctions. As rare whiskies have been collected by many for a great number of years, their popularity at auctions grew into the industry we have today. In 2008, there were just over 2,000 collectible bottles sold at auctions in the UK. This year, we're expecting about 18,500 bottles to be sold," says Simpson. "Some of the rapid increases in value we're currently experiencing are, in part, down to the simple scarcity of many collectible bottles. That rarity, in itself, provides challenges. If someone wanted to put together a relatively small 'fund' of say £100 million, it would be exceptionally difficult to do."

So who is the typical collector? Oracle's Nathan-Maister says, "The typical collector is male, aged 35 to 60, and buys primarily because he loves drinking the spirit and sharing it with his friends. But with higher-priced bottles, the investment angle is never forgotten either."

Some have said that the main players in cognac and whisky collecting and investment are from Russia and China, simply because historically, there is more of a natural spirits culture in these two nations than there is a natural wine culture.

"Russians in particular have familiarity with spirits and both whisky and cognac have always been popular there. But the same is largely true of China as well, and this is something that goes back a long way. We [Oracle Paradis Wine Fund] recently bought a parcel of cognacs from the early 19th century — 1811 and 1825 vintages — all labelled for export to China," says Nathan-Maister. "The Asian market is increasingly interested, and collectors are moving from the more obvious items — made-for-collectors bottlings in

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elaborate packaging — to the truly rare: 19th and even 18th century spirits.”

Bonhams was one of the pioneers to start auctions dedicated to whisky and cognac in Asia, says Daniel Lam of Bonhams Wine Department in Hong Kong, with the first whisky auction held in Hong Kong in 2009 and subsequently a cognac auction in 2011. The house’s recent auctions recorded 50% of activity from buyers from Hong Kong while the rest were mainly from China, Singapore and Taiwan.

One of the most renowned collectors in Asia is Man’s Chan, chairman of Hong Kong Miniature Liquor Club. He was honoured with the International Cognac Personality award at last year’s La Part des Anges auction and gala and is a certified Cognac educator. Apart from his collection of 14,000 different miniature liquors, he also owns an assortment of large-sized cognacs, a collection amassed over two decades. His collection may not be the largest in the world — that title belongs to one Bay van der Bunt — but because he owns 30 rare bottles of miniature Remy Martin’s Louis XIII of different years, he has been affectionately anointed “king of Cognac” among fellow collectors.

In Malaysia, there is a keen interest in single malt Scotch, although the apparent motivator among collectors here seems to be more passion and pleasure than profit.

“Value is a matter of perception. Our clients are willing to pay for bottles but it’s not necessarily because their trading value will appreciate — they’re

looking for good and interesting bottles, whisky that is rare either from a distillery that is no longer in existence or one that is known for making incredible whisky but in limited amounts,” says Shareen Yew, founding partner and director of Single Malt Sdn Bhd, the company behind whisky specialist retailer Single and Available. “They would buy three bottles at least — one to drink, one to share and the last to keep.

“One of my customers — his collection is amazing. If I told him that a distillery had stopped making a particular whisky, he’d buy a dozen. He’d drink some, give away some and keep the rest. His collection is huge, and he has snapped up a very collectible Springbank 21, two bottles, and several bottles of the Bowmore 30 years that used to come in a ceramic bottle. Another customer bought a few bottles of the Bowmore 1957 just because it was the year of our country’s independence. People collect for all kinds of reasons. And they’re not necessarily the people with the most money, but they are those who feel the most about it. They just want to own these special bottles.”

There are various motivations behind building a collection — an investment, the love of seeing hundreds of beautiful bottles in one’s home or simply the desire to drink and taste them all — but industry insiders agree that it is a task that begins with a taste for the elixir.

When it comes to whisky or cognac, Yew says, “It is essentially a love affair. The collectors I know, they are struggling — even after learning their

Passion, patience and profit



Van der Bunt with his collection

Bay van der Bunt has the world’s most extensive and largest private collection of historic and rare spirits. Currently valued at £10 million (RM54.54 million), his collection of over 5,000 bottles includes a Remy Martin from 1780 — his oldest bottle that was inherited from his grandfather and is not for sale — and a Vieux Fine Grand Champagne Cognac “Clos de Griffier” from 1788, valued at £58,000, from before the French Revolution.

Oh, if only these bottles could talk. Also among his collection is a 1789 Courvoisier & Curlier (€49,000 or RM220,045), a 1796 Napoleon cognac (€26,000) and a six-litre jero boam marked 1795 Brugerolle worth an estimated €138,000, said to have travelled with Napoleon’s army.

His precious vault is a former cowshed in Breda, the Netherlands, with ancient beams and red tiles. And as beauty is in the eye of the beholder, only a true aficionado can appreciate the rows and rows of dusty bottles of cognac, armagnac, port and other aged liquors housed within.

One would imagine a fierce discipline in him to be able to not break into his precious collection, but van der Bunt isn’t much of a drinker. This certainly sides the argument that rare spirits is an option for pure investors and not drinkers. However, a lack of thirst for these spirits is no indication of a lack of passion. Van der Bunt’s only reason for putting the collection up for sale is a practical one — he has no children to leave it to, and he and his wife are looking to move to a smaller, more manageable home in a couple of years. There will be no room for this legendary collection.

So passionate is van der Bunt about his collection that he doesn’t even stir the dust that settles on his prized bottles, saying that the dust “is a record of their history”, as he once told *The Telegraph*.

Whisky Highland Index



The Whisky Highland Index provides guidance on the top distilleries that have produced collectible bottles. The data used is taken from UK auction values rather than retail whisky sales. It has evolved with years of experience, knowledge and data on collectible bottles. The index takes into account four variables — total British pound value of collectible bottles sold, the highest single bottle price sold from that distillery, the average price per collectible bottle

and the highest percentage gain in value for collectible bottles — then scores a distillery out of 100 in terms of the performance of its collectible bottles.

The index is taken as at Dec 31, 2013, and is updated quarterly to reflect movements in the market.

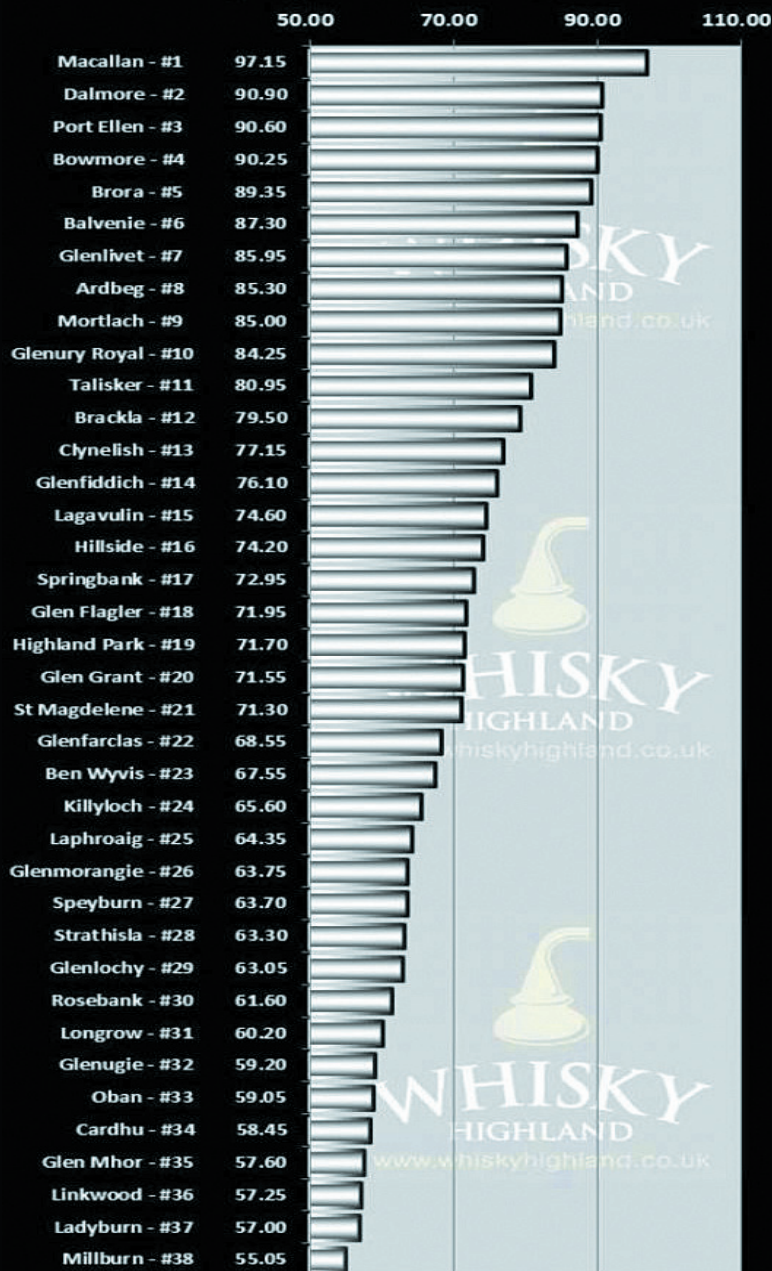
Andy Simpson, founder of Whisky Highland, says to stick with limited releases from the iconic distilleries. "Macallan is the number one, followed by Dalmore, Balvenie, Ardbeg and Bowmore. Many silent distilleries are seeing huge upwards pressure on prices because no more can be produced and many of these old distilleries are now car parks, shopping malls or residential developments.

"Port Ellen, Brora, Rosebank and St Magdalene are among the ones to look out for. Existing stocks, currently maturing in casks, will run out one day."

Simpson offers four simple rules:

- **Love whisky.** Most who end up with an investment started by an evolving passion for whisky.
- **Patience is key.** While there are some short-term gains being seen at the moment, whisky should be viewed as a 10- to 20-year investment.
- **DYOR.** Do your own research and speak to experts who can assist in what to buy. Get it wrong and whisky can be every bit as punishing as any other investment.
- **Never invest what you can't afford to lose.** Make sure the whisky is fantastic quality. Poor whisky is very rarely a good investment. One man's investment today can quite easily be another's prized drink tomorrow.

Whisky Highland Index Q4 2013



bottle is valued much higher now, they still wonder if they should just open and drink it," she laughs. "It is still a really good bottle of whisky and that's what you wanted right? That is what you paid for. Never mind the actual value of it. People who like it, want it, love it. And most of the time, the reason the value of a bottle goes up is simply because it is a good bottle. There's a constant battle — 'to drink or don't drink?'"

Whisky versus cognac — which of these will perform better? Bonhams' Lam says, "Whisky has reached a wider spectrum of collectors from around the globe while only certain brands of cognac are actively trading in Asia. In general, I would say that whisky does better."

Oracle's Nathan-Maister offers, "Whisky are better established at the moment, but in our opinion, cognac has even better long-term potential".

Either way, there are key traits that make collectible spirits more attractive than wine as an investment. Mainly, it's easier to learn about and understand and unlike wine, whisky and cognac typically outlast wine and are far easier to store. If a bottle is stored correctly, that is upright and out of the sun, the value of a bottle with a good seal and a legible label intact can increase. And the fact that Asia is thirsty for both whisky and cognac means you can be assured that constant consumption would render the remaining bottles that little bit rarer and thus that little bit more valuable.

Make no mistake — investing in whisky or cognac is hardly a quick-win. While there is potential for

significant short-term gains, says Simpson, you would have to be very good, very knowledgeable, because you have to buy the right bottles.

Nathan-Maister says, "We look for genuinely rare and genuinely old bottles. In other words, cognac from the 18th and 19th century, whiskies from the early 20th century. We avoid 'made for collectors' bottlings, limited editions and such like, as these often have inflated values on release, which are not sustained once they come on to the secondary auction market."

"I would look for Japanese whisky like Karuizawa or Hanyu, both of which have ceased production and whose values have gone up drastically. For cognac, I am particularly interested in the old production from houses like Hennessy, Remy Martin or Courvoisier from the 1960s to 1980s," says Lam.

Adds Yew, "You must like it to start collecting it so that in case anything goes wrong, you can just drink it."



A Remy Martin from 1780 — van der Bunt's oldest bottle that was inherited from his grandfather

The 65-year-old Dutchman announced his intention to sell back in 2012, yet the collection still remains in his hands as he bides his time for the "right buyer" who shares the same passion for old liquors and is willing to buy the collection in its entirety.

"The buyer of the stock will gain the largest gathering of cognac and other rare spirits in the world together with the profitable business model that goes with it," he says, referring to his online enterprise Old Liquors Exchange (oldliquors.com) that sells collectible bottles as well as provides consultancy to collectors and investors.

The story behind van der Bunt's bottles is epic and goes back three generations.

"In 1895, my great-grandfather worked and lived as a house steward and groundsman at a large manor near Amersfoort in the Netherlands. Based on which fruit and vegetables that were in season, the lady of the manor would decide on what to serve with dinner. When a beverage was not in stock, my great-grandfather would get the carriage out and drive the lady of the house to the nearest town. Thus he became acquainted with the finest cognacs, ports and wines. Sometimes his hard labour was rewarded with a bottle of cognac. This started the collection," he reveals.

"My grandfather and father, both labourers who liked to collect and drink cognac, inspired what started as a hobby and ended as something of an obsession. They were hard workers and hard drinkers. Not drunks; drinkers, and they did like their cognac. My father was more interested in what was in the bottle than the bottle itself. When I look back at the fine cognac he drank, I reckon he must have gone through four or five Rolls-Royces' worth."

It took years of experience and research to build the curated selection that exists today. Van der Bunt was no

stranger to trial and error.

"When I was 23, working as a car salesman, I bought two bottles of cognac for the equivalent of a day's wages each. My father said I was stupid, I'd paid too much and I didn't know what I was doing. Actually, he was right. Later I became a dealer in French antiques. As a sideline, I would snap up bottles of cognac from house clearances in France to add to those my father and grandfather left me. In those days, people wanted the wine from cellars, but not old liquors. It started as a hobby, but then became an investment, then a collection."

To the question of whether whisky or cognac performs better, he says, "Modern collectible bottles at charity auctions attract high-net-worth individuals who are willing to bid high amounts. This has been the case with cognac and whisky. Whisky, because it has the largest following amongst collectors, has attracted the highest bids. Cognac is undervalued in this respect, especially the vintage cognacs from before 1850 — this is a category to focus on at auctions."