



SCOTCH WHISKY INVESTMENTS

PROSPECTUS

INVESTING IN RARE SCOTTISH SINGLE MALT WHISKY
FROM EUR 100 000

Version: october 2021

Definitions

Unless explicitly stipulated otherwise, the following terms and abbreviations are used in this Prospectus.

Historical Cost	The overall value of all of the Investment Items mentioned in an Agreement as determined on the date on which they were purchased and transferred.
General Terms and Conditions	The last version of Scotch Whisky Investments' General Terms and Conditions lodged with the Chamber of Commerce.
Manager	Scotch Whisky Investments.
Management Costs	The annual costs incurred for the administrative and other work carried out by the Manager in relation to the Whisky Portfolio, as well as the cost of settlement and the liquidation of that portfolio.
Investor	A natural person or legal entity that is registered in the Investors Register as the owner of one or more Investment Items.
Investment	An investment constitutes one or more bottles and/or casks held at the relevant Investor's risk and expense.
Investment Sum	The nominal value which an Investor invests.
Investment Item	An asset defined in Article 1:1 of the Financial Supervision Act [Wet op het financieel toezicht] (Wft). In concrete terms, a bottle or cask (or part of one) of SSMW.
Investment Proposition	The entirety of an Investment Item and any services pertaining to it designed to secure added value or the retention of value as offered by Scotch Whisky Investments.
Custodian	The party that the Manager appoints to assume responsibility for the insured storage of Investment Items or the Manager where the latter is responsible for this. Cask storage: ACEO Ltd, United Kingdom. Bottle storage: Scotch Whisky Investments, Netherlands.
Storage Charges	The annual fee payable for the safekeeping and insurance of the Investment Items comprising a Whisky Portfolio on the Manager's behalf.
BGfo	The Wft Market Conduct Supervision (Financial Institutions) Decree [Besluit Gedragstoezicht financiële ondernemingen].
Annex	An annex to the Agreement to which this Prospectus pertains. .
Cask Management	The storage of casks of whisky in a bonded warehouse (a customs warehouse in Scotland) and active management of them or parts thereof until the optimum time for bottling.
Effective Date	The date on which an Agreement related to this Prospectus comes into effect.

Essential Information Document	An essential information document supplied to an Investor by Scotch Whisky Investments.
Individual Historical Cost	The value of an individual Investment Item comprising part of a Whisky Portfolio determined on the date of its purchase and delivery.
Annual Market Movement	The variation of the value of a Whisky Portfolio compared with its Historical Cost. This value is determined with the aid of The SWEX one year after the Effective Date and every subsequent year until the expiry of the Term.
Purchase Price	The price which an Investor pays to acquire their Whisky Portfolio. This price is equal to its Historical Cost.
Delivery Date	The date on which Scotch Whisky Investments delivers a Whisky Portfolio to an Investor.
Terms and Conditions Governing Supply	The general terms and conditions governing the acquisition and supply of and trade in whisky.
Liquidation Time	The time (after the Term) stipulated in an Agreement during which the Manager will endeavour to liquidate a Whisky Portfolio for the relevant Investor.
Term	The period stipulated in an Agreement within which a Whisky Portfolio is managed by Scotch Whisky Investments, excluding the Liquidation Time.
Luxury Goods	A category of so-called alternative investments where the bearer of value is a physical product usually with an expressive (status-enhancing) value.
Market Value Variation	The variation of the value of a Whisky Portfolio compared with its Historical Cost. This value is determined with the aid of The SWEX.
Dutch Regulatory Authorities	The Netherlands Authority for the Financial Markets [Stichting Autoriteit Financiële Markten], De Nederlandsche Bank [the Dutch central bank] and the Dutch Data Protection Authority [Autoriteit Persoonsgegevens].
Nrgfo	Further Regulations on the Supervision of the Conduct of Financial Undertakings (Financial Supervision Act) .
Independent Committee	A committee of independent whisky experts numbering approximately 15. The committee determines the quality of matured whisky in a cask managed by Scotch Whisky Investments (when it is bottled) and rates it.
Outperformance	A yield achieved above the Performance Bar This is subject to an allocation formula agreed to by an Investor and the Manager.
Agreement	An agreement between an Investor and Scotch Whisky Investments concerning an Investment Proposition asset manager.
Performance bar	A determination of the Anticipated Yield of an Investment Proposition agreed to by an Investor and the Manager. Any development until this benchmark accrues in its entirety to the Investor.

Investors Register	A list specifying which bottles and casks (or parts thereof) constitute part of a Whisky Portfolio in the case of each individual Investor.
Scotch Whisky Investments	Scotch Whisky Investments is the trading name of Scotch Whisky International B.V., which has its registered office and principal place of business in Sassenheim, the Netherlands (Chamber of Commerce No.: 51096072).
Specifications List	A list of the specific features of whisky subject to Cask Management in relation to an offer of casks of whisky by Scotch Whisky Investments.
SSMW	Whisky which may lawfully be designated as Scotch Single Malt Whisky.
SWEX	The online trading platform, The SWEX, Exchange for Scotch single malt whisky.
Interim Exit	A situation in which a private Investor wishes to liquidate their Whisky Portfolio before the expiry of the Term.
Anticipated Yield	The value development of a Whisky Portfolio jointly proposed by an Investor and the Manager and recorded in an Agreement.
Terms and Conditions	The rights and obligations of Scotch Whisky Investments and an Investor as set out in this Prospectus, in an Agreement related to it and in the General Terms and Conditions of Scotch Whisky Investments.
Wft	The Financial Supervision Act [Wet op het financieel toezicht] and any generally binding regulations adopted pursuant to it.
Whisky Portfolio	The total Investment Items which are registered in the name of an individual Investor pursuant to an Agreement related to this Prospectus.

Accountability

This Prospectus – the version of October 2021 – has been prepared by the management board of Scotch Whisky Investments. Scotch Whisky Investments declares that, in so far as it is aware, the information contained in this Prospectus reflects the reality on the date of its publication and also declares that no information has been omitted whose mention would alter the purport of this Prospectus.

The Terms and Conditions set out in this Prospectus are governed by and will be construed in accordance with the law of the Netherlands. Any dispute concerning the Terms and Conditions or their implementation will be adjudicated by a competent Dutch court of law in The Hague.

This Prospectus will govern the application of Investment Propositions as of the date of its publication. Any agreement between an Investor and Scotch Whisky Investments which was concluded before this publication date is governed by the Prospectus applicable at the time, for example the prospectus of September 2020.

Contents

	Definitions	1
1.	Introduction	6
1.1	Opportunities and risks	6
1.2	Responsibility for the contents of this Prospectus	6
1.3	Essential Information Document	6
1.4	Minimum Investment Value and advice	6
1.5	Tax matters	6
1.6	Wft license	6
1.7	Governing law	6
2.	General information concerning the Investment Item offerers	6
2.1	General information concerning the Manager	6
2.2	Manager's field of operations	6
2.3	The SWEX, Exchange for Scotch single malt whisky	7
2.4	The Manager's management board	7
2.5	Ultimate Beneficial Owners	7
2.6	Advisers and outsourcing	7
3.	Information concerning the features of Investment Items	8
3.1	A rapidly expanding sector	8
3.2	Outlook	8
3.3	Costs	9
4.	Risk factors	9
4.1	General	9
4.2 t/m 4.16	Risks	10
5.	Information about Investment Item costs, gross value and withdrawals	12
6.	Information about the investment policy and operations	13
6.1	Selection of items	13
6.2	Cask logistics administrative services	13
6.3	Bottle logistics administrative services	13
6.4	Determining and reporting market value	13
7.	Key characteristics of Investment Propositions and variants	14
7.1	Characteristics of basic form	14
7.2	Guaranteed annual payout	14
7.3	Deferred minimum payout	15
8.	Information concerning an amendment of the Terms and Conditions	15
	Disclaimer	15

I. Introduction

I.1 Opportunities and risk

Investing in whisky provides opportunities for returns but also involves a number of risks. This Prospectus contains the information required to be able to assess an Investment Proposition. It is important that you pay close attention to the information in this Prospectus if you are to make a well-considered decision and obtain a comprehensive overview of the opportunities and risks. Also consult a financial specialist or your accountant if you wish to do so.

I.2 Responsibility for the contents of this Prospectus

The Manager, Scotch Whisky Investments, is responsible for ensuring that the information contained in this Prospectus is accurate and complete. In so far as the Manager was aware when this Prospectus was compiled, the information contained in it corresponds to the reality.

I.3 Essential Information Document

An Essential Information Document (EID) has been drawn up for every Investment Proposition mentioned in this Prospectus. This document provides you with an insight into the risks which are associated with an investment. This document is supplied in the course of a meeting preceding the conclusion of an Agreement. In addition, it can always be obtained from the Manager (online or otherwise).

I.4 Minimum Investment Value and advice

A floor value applies in the case of an Investment Proposition investment. Such propositions require a minimum investment of €100,000.00. Scotch Whisky Investments recommends that you only invest in whisky provided that:

- your investment is made with actual *freely investable* disposable capital;
- you have an investment horizon which extends beyond five years;
- the value of your investment does not represent more than 10% of your freely investable capital.

I.5 Tax matters

The Investment Items are physical products, namely, bottles and casks (or parts of them), which are supplied in the relevant Investors' names. In this respect the manner in which such supply occurs may be important for tax purposes. In this respect consider optional aspects such as personal or business and natural person or legal entity. Opting for any of them may have implications for VAT settlements and the

remittance of profit, amongst other things. Consult your tax consultant as to what would be the best solution for you in relation to tax.

I.6 Wft license

The Manager obtained a licence as a provider of Investment Items in accordance with Article 2:55 of the Wft on 16 October 2014.

I.7 Governing law

This Prospectus is solely governed by the law of the Netherlands.

2. General information concerning the Investment Item offerers

2.1 General information about Scotch Whisky International

Scotch Whisky Investments B.V., trading under the name of Scotch Whisky Investments, is the offerer of Investment Items. The company was incorporated for an indefinite term on 15 October 2010 and was registered in the commercial register maintained by the Dutch Chamber of Commerce under Number 51096072. The full text of its articles of association may be inspected in the Manager's office. It will be sent to an Investor free of charge on request. Mr M. Kappen (acting through his management company) holds 69% of the shares in Scotch Whisky International B.V. See also Paragraph 2.5. Mr M. Kappen is the founder and general manager of Scotch Whisky Investments.

2.2 Scotch Whisky Investments' field of operations

The company is involved in activities which enable public investors to familiarise themselves with the relevance of *Scotch Single Malt Whisky (SSMW)* as an investment category. As a follow-on from this, the company:

- advises individual Investors on concrete investment opportunities;
- provides such opportunities; and;
- carries out all of the work for an Investor in its capacity as the Manager which contributes to the added value of the Investment Items in their Whisky Portfolio.

2.3 The SWEX, exchange for Scotch single malt whisky

Scotch Whisky International is the initiator of The SWEX. This online trading platform ensures that the market for investment whiskies expands, and becomes more transparent and liquid. The growing marketability of investment whiskies is important to Investors.

The SWEX is the successor to the World Whisky Index (WWI), which commenced operations in 2007. Since 2020 the range of investments in The SWEX has been extended to include opportunities to invest in casks of whisky. This commodity exchange provides real-time pricing information as far as possible. Scotch Whisky International offers Investors an opportunity to have the Investment Items in their Whisky Portfolio listed on The SWEX.

The structure of The SWEX is identical to that of a normal sharemarket. The registered owner of all the bottles and casks which are traded changes. However, they remain physically stored in the same insured storage facility. The SWEX guarantees that every Investment Item listed on the exchange is authentic and ensures the validated execution of transactions (clearance).

2.4 The Manager's management board

Mr M. (Michel) Kappen is the CEO according to the articles of association and director-cum-owner of Scotch Whisky Investments. A former Rabobank staff member, Mr Kappen established his own SSMW business, The Whisky Talker, in 2002. This company drew the public's attention to this wealth of taste through whisky-tasting functions, events and concepts for off-licence facilities. Gradually the product feature focus shifted to the financial dynamics which are inherent in SSMW. In 2014 Michel Kappen's company became the first business in the Netherlands to be authorised by the AFM to offer whisky as an investment product.

Mr R.A. (Dolf) van Dijk RA, has been the chief financial officer (CFO) according to the articles of association and the financial director of Scotch Whisky Investments since July 2017. From 2001 to 2012 Mr Van Dijk worked for EY as an accountant responsible for auditing financial institutions. From 2013 to June 2017 he worked as the group controller for the financial department of the international consultancy firm, TriFinance. Mr Van Dijk is registered as a registered accountant with the NBA.

2.5 Ultimate Beneficial Owners

Messrs M. Kappen (69% of the shares) and T.J.G. van Lent (20% of the shares – see also Paragraph 2.1) are the Ultimate Beneficial Owners of Scotch Whisky Investments. In addition, there are multiple shareholders who have investments of less than 5%. Mr Van Lent does not have a seat in the day-to-day management team of Scotch Whisky Investments and therefore does not play any role either. Nevertheless, in addition to being a shareholder, Mr Van Lent is also a Scotch Whisky Investments client. Scotch Whisky Investments is aware that this situation could be a source of a conflict of interests. Having this in mind, internal processes and procedures have been structured in such a way that the day-to-day operations – especially in relation to asset management – are as immune as possible to any particular individual interest.

2.6 Advisors and outsourcing

The following parties are involved in the work of Scotch Whisky International, amongst others:

- **Cask management**
ACEO Ltd. Hillside Farm, Rodley,
Gloucestershire GL14 1QZ.
- **Compliance adviser**
Compliance Advies, Rotondeweg 22,
1261 BG Blaricum, Netherlands;
- **Accountancy, tax consultancy and staffing advice**
Jan Accountants & Belastingadviseurs,
Waterlandlaan 96, 1441MR Purmerend, Netherlands;
- **Legal advisors**
Houthoff, Gustav Mahlerplein 50, 1082 MA Amsterdam,
Plan B Advocaten, Haarlemmerstraatweg 79,
1165 MK Halfweg, Netherlands;

Scotch Whisky International's field of operations is of a highly specialised nature. It is for this reason that Scotch Whisky seeks to retain knowledge and expertise in-house as far as possible. In principle, work is only outsourced where Investors' interests would be better served by engaging another organisation. This is the situation in the case of the storage and management of casks. Nevertheless, unforeseen emergencies may occur, which may temporarily require other work to be outsourced. Investors' interests enjoy priority with regard to the policy that is to be pursued in such a case with regard to the choice and guidance of the operational party. Three potential operational parties are selected. The party that may be expected to safeguard Investors' interest most effectively based on their proven performance is then chosen.

Outsourcing the storage and management of casks

ACEO Ltd. has been engaged on a permanent basis to monitor the status of casks comprising part of a Whisky Portfolio. These casks are stored in ACEO's *bonded warehouse* in Elgin (Scotland). ACEO has been instructed to check all aspects of the casks which are important for the purposes of the value development of the Investment Items, including:

- the disappearing liquid due to normal evaporation from the casks (the 'angels' share');
- any leaks;
- variations in taste – intervention where there is a risk of the taste balance being disturbed;
- the alcohol percentage – this percentage may not fall below 40% by law.

Furthermore, in its capacity as a custodian ACEO is responsible for the security of the warehouse, its structural condition and the quality of the storage logistics. ACEO is an independent company which is involved in the transportation of whisky, and SSMW bottling, labelling, wholesale and storage.

3. Information concerning the features of Investment Item series

3.1 A rapidly expanding sector

The rare whisky segment of the Luxury Goods investment category has experienced remarkable growth. The value of the capital invested in it soared 586% between 2010 and 2020. The Luxury Goods investment category includes:

Art	Rare whisky
Vinatge cars	Furniture
Watches	Coloured diamonds
Wine	Coins
Jewellery	Handbags

Rare whisky occupies the sixth position worldwide. Usually, investors opt for Luxury Goods in order to diversify their investments. The following factors play a role where one opts specifically for the Luxury Goods, rare whisky.

- the historical development of the value of consumption whiskies – the value of a representative number of bottles rose by 6.6% per annum on average between 1936 and 2008 (source: Scotch Whisky Investments research);
- the value development of the investment whisky categories – their value rose by 15.3% from 2008 to 2020 (source: Scotch Whisky Investments);
- the intrinsic shelf life of the commodity – unlike wine, a bottle of whisky is not sensitive to age;
- growing scarcity;
- affinity with the product and the wealth of traditions involving it.

3.2 Outlook

When investing in whisky, the potential value development of a bottle or cask is the starting point. Scotch Whisky Investments only focuses on those whiskies which:

- have been distilled in Scotland;
- are designated as 'single malt';
- are intrinsically of top quality;
- are scarce or are expected to become scarce.

Rising global demand, circumscribed regional production

The demand for whisky is continuing to rise throughout the world. The increase in the number of highly prosperous and other consumers in South-East Asia is an important factor. Whisky from Scotland has become a status product which may command a high price. The Scottish distilleries are already operating at top capacity. If the demand for Scotch whisky continues to rise but production remains constant, there is only one way for the price to go.

Single Malt

Only a small proportion of Scottish whisky is designated as 'single malt', namely that whisky which comes from a single distillery, where it is distilled from barley in a copper kettle and which is then allowed to mature in oak casks for no less than three years. Only a single malt can express the characteristics of its distillery's nose and taste. This is why whisky writers, aficionados and collectors focus on single malts. The interest in single malts is continuing to grow.

Quality

Assuming that the distillate satisfies all of the requirements, its nose and taste are determined by the cask in which the whisky matures. In general, the longer its maturation time, the better its quality and the more connoisseurs appreciate it.

Scarcity profile

An appraisal on primarily economic grounds means that nowadays distilleries no longer depend on the lengthy maturation of their whiskies. The most highly appreciated whiskies will become scarcer than ever. This is true for both whisky that has already been bottled and that which is still held in casks.

Scarcity due to consumption

Apart from structural scarcity on the supply side, what also plays a role is that bottles of rare SSMW are still being consumed. In certain circles the high price of a bottle is no obstacle and is regularly even a reason for its consumption. Whatever the case, the number of available rare bottles is declining because people are consuming them.

Global expectations

Because of growing demand and permanent limited supply, Scotch Whisky Investments expects the market value to continue to rise over the next decade. The value of SSMW whisky with a maturation time in excess of 15 years is expected to rise by no less than 6.6% per annum. This outlook is rather conservative when considered in relation to the whisky which Scotch Whisky Investments manages. This is because Scotch Whisky Investments focuses on SSMW with a significantly longer maturation time. In the case of cask whisky a maturation time of no less than 20 years is sought, although this may be as long as 30 years.

Susceptibility of Luxury Goods to economic fluctuations

The outlook presented above is partly based on variations in the historical cost of rare SSMW to date. However, it is possible that the SSMW segment may not follow this line without limitation. SSMW may start behaving like other Luxury Goods, meaning it will become susceptible to economic fluctuations. See also Chapter 4 on this risk.

3.3 Costs

Various costs are associated with the services that the Manager provides, such as those for storage, insurance, cask management, reporting and administration. In the case of an Investment Proposition, these costs are dealt with as follows:

- part of the costs is already incorporated in the purchase price;

- part of the costs is covered by the profit appropriated in the case of Outperformance.

Outperformance is a situation in which the value development exceeds the Performance Bar stipulated in the relevant Agreement. The Manager is confident that such a situation will occur to such an extent that all of the costs will be covered. What is important is that even if the value development also equals or falls short of the Performance Bar, the Manager will remain responsible for the costs. They will not be passed on in arrears. As such, an Investor will not have to contend with costs in addition to any performance fee.

4. Information about the Investment Items' risk profile

4.1 General

Investment in whisky – also SSMW – is not without risks. The most common risks are dealt with below in order of importance. The risks described here may occur in combination with each other.

In addition to the risks described in this chapter, other circumstances may also occur. They may clash (harshly or otherwise) with the principles that serve as the basis for the preparation of this Prospectus. Such circumstances may mean that the value development is disappointing or that a loss may even be suffered on an investment.

This Prospectus partially contains statements focusing on the future. They entail uncertainties. There may ultimately be a clear difference between the actual results and those presented in statements focusing on the future. Amongst other things, the envisaged value development is based on the principles set out in greater detail in this Prospectus and other documentation of Scotch Whisky Investments. Nevertheless, Investors have no certainty that the assumptions and forecasts will actually result in the realisation of the value development that is held to be possible.

As an Investor, you are expected to assess these principles and forecasts at your own risk and expense, to familiarise yourself with the Terms and Conditions, and only after this to decide whether or not to enter into an Agreement concerning any of the Investment Propositions referred to in this Prospectus.

4.2 Value risks

The value of the yield on bottles of whisky depends on the supply and demand mechanism. This does not always work as one reasonably expects. A smaller quantity of a certain type of bottle may sometimes yield less, for example because the consignment is not large enough for major buyers. Yet it may also yield more because of its greater exclusivity.

Every year Scotch Whisky Investments arranges for an independent valuer to determine the value of each Whisky Portfolio. The valuation of an Investment Item is not only based on its intrinsic characteristics. The sentiments which prevail within national and international whisky markets play a role which is at least as important. Such sentiments are subject to change. Fashions, trends and hypes may occur, in respect of which various factors play a role.

The value of one type of whisky may differ from one region to another. As such, it is virtually impossible to produce universally valid valuations. Such a valuation is based on the average value between supply and demand and, as such, expresses itself in a bandwidth in the case of the relevant portfolio. What is important, is that an Investor is entitled to arrange for a Whisky Portfolio that is on offer or has already been acquired to be valued at their own behest.

The early liquidation of a Whisky Portfolio, for example before the optimum maturation time for a cask of whisky has expired or before the end of a Term, usually has an adverse effect on the value of the ultimate yield for the relevant Investor. Haste at the expense of earnings. Whatever the case, an Investor must ascertain whether they can permit the proposed Term.

4.3 Liquidity risks

Based on generally accepted standards, the marketability (market liquidity) of whisky is not high. Considerable time may pass before a buyer appears who is prepared to pay a price which corresponds to the value of the relevant Whisky Portfolio. The greater the value of the portfolio, the longer the delay before a buyer and seller encounter each other. Investors need to make allowances for a lengthy Liquidation Time after the Term of an Investment Proposition – five or seven years – expires. In the case of a Term of five years this period will amount to no more than two years. The relevant Agreement stipulates the length of the Liquidation Time.

4.4 Credit risks

Scotch Whisky Investments has a duty to pay Investors periodic compensation depending on the Investment Propositions. Scotch Whisky Investments is a company which is exposed to business risks. In the event that Scotch Whisky

Investments is unable to comply with its current obligations at any point in time, it will be impossible for the Manager to pay such periodic compensation.

4.5 Evaporation loss or amount of reduction and replacements

During the period in which whisky is stored in casks, part of it evaporates (the ‘angels’ share’). In general, it amounts to 2% once after filling and then 2% of the remaining volume on average every year. This depends on the position of the cask and the quality of the wood. Scotch Whisky Investments adopts measures to ensure an appropriate position and that the technical quality of the casks is checked. Nevertheless, a problem (a leak or otherwise) may occur in a period of 15 to 30 years. In that case Scotch Whisky Investments will offer the relevant Investor an alternative cask of equal value.

4.6 Maturation risks

A large part of the taste of whisky is due to the interaction between the distillate and the wood of the cask. This is a highly complex organic process, which is not yet fully understood. In the course of maturation it is possible for unexpected responses or processes to occur, with the result that maturation is not entirely successful. This investment risk is covered as follows. In the case of faulty maturation the Manager will supply the relevant owner-Investor a cask of similar value which the Independent Committee has rated no less than 80 points in the whisky classification system.

4.7 Dependence on personnel

Scotch Whisky Investments’ success depends on the dedication, knowledge and expertise of its staff and contracting partners. Although there is no reason for concern with regard to the retention of skilled staff, they may nevertheless terminate their employment. Scotch Whisky Investments cannot guarantee that the company will always manage to retain valuable manpower subject to acceptable terms and conditions or to attract any to replace them. If Scotch Whisky Investments fails to maintain such expertise and capabilities, this will have an adverse effect on the company’s success.

4.8 Co-ownership

In the case of an investment in part of a cask the relevant Investor will become the co-owner of all of its contents. An Investor never becomes the full owner of part of a cask. (This is legally impossible, because it is impossible to individualise part of a liquid.) In the case of unforeseen circumstances, such as the Manager’s complete indisposition, an Investor will require the assistance of their other co-owners to alienate the relevant cask or to move it to a different location.

4.9 Storage and management risks

A cask will remain in storage in Scotland until it is bottled. There is a risk that the party that manages the storage facility (bonded warehouse) will fail to comply with its agreements or will find itself involved in legal proceedings, with the result that access to the casks may be temporarily impeded. The party responsible for Cask Management may also be in default of performance, which may disrupt the value development of a cask.

4.10 Counterparty risks (Scotch Whisky Investments)

In the case of each investment an Investor may be exposed to counterparty risks involving Scotch Whisky Investments. This will either be financial risks pursuant to payments which Scotch Whisky Investments has agreed to with Investors or performance risks in relation to the provision of services. An Investor is fully dependent on the development of Scotch Whisky Investments' turnover and results, as well as its expertise with regard to its compliance with its obligations.

4.11 Foreign exchange risks

The trade in whisky is exposed to foreign exchange risks. These risks are usually not hedged or covered. Transactions are usually conducted in GBP. Any variation in the GBP-EUR exchange rate may have an impact on the company's results and its overall value development. Foreign exchange rate fluctuations between the euro and other currencies in which Scotch Whisky Investments directly or indirectly trades may also produce disappointing results. The effects of foreign exchange rate differences on its future operating results or those of its business associates cannot be predicted with any certainty.

4.12 Disasters and insurance

Both the bottles and the casks are insured and are stored in secure premises built for storage. However, it is impossible to insure certain types of risks, such as those pertaining to war, terror and natural disasters. When taking out insurance Scotch Whisky Investments weighs up the amount of any excess and the associated premiums in each case.

4.13 Political developments

Another uncertain factor lies in the influence of politics, which are deemed to include regulatory and tax authorities (regional, local or extraordinary), independent or other administrative bodies and authorities, and public or semi-public entities. Political risks are deemed to refer to those risks pertaining to the stability of such political or administrative institutions, the succession of political leaders, transparent decision-making, consultations, regulations, political and geopolitical risks, social unrest and national security. Such risks may always have an adverse effect.

4.14 Legislation

Another uncertain factor lies in the impact of regulations and case law in the EU and the Netherlands as well as in the United Kingdom and Scotland. This Prospectus is based on the legislation, regulations and case law applicable on its date of publication and is subject to any amendment thereof which may be introduced with or without retrospective effect. An amendment of such legislation or regulations may have an effect on value development. For instance, it is possible for the rates of excise duties and VAT (only paid on bottles) to change.

4.15 Associated parties

One cannot preclude the possibility of collaboration and transactions with the parties involved or others leading to potential transactions in relation to which directly or indirectly conflicting interests of one form or scope or another could play a role.

In so far as Scotch Whisky Investments is aware, the collaboration and transactions referred to in this Prospectus always occur subject to the customary terms and conditions in line with market conditions. Should this not be the case, the Investors will be notified of this along with the reasons for it. Transactions and collaboration between associated parties and transactions involving an actual or potential conflict of interests may have an adverse effect on the value development of a Whisky Portfolio.

4.16 Product originality

In so far as it is reasonably possible for it to ascertain, Scotch Whisky Investments only does business with reliable distillers and dealers. Where Scotch Whisky Investments is able to acquire a specific product or bottle – for example, at an auction – it will notify a potential Investor that there is always a risk that the product or bottle is not authentic or has not originally been sourced from a specific distillery. There is a greater chance of this occurring where private collections are bought. It has definitely been noted that in rare instances false bottles are offered in the market. However, Scotch Whisky Investments possesses sufficient expertise to recognise such bottles at the outset and to raise them for discussion. Scotch Whisky Investments offers its Investors a certificate of genuineness and authenticity in the case of each Investment Item.

5. Information about Investment Item costs, gross value and withdrawals

Costs are involved in the compilation, management and liquidation of a Whisky Portfolio. The amount involved varies depending on the value (Historical Cost) of the Whisky Portfolio specified in the relevant Agreement. Such costs are not passed on to the relevant Investor except in those cases in which they exit prematurely. An Investor is expected to cover such costs with the difference between their own procurement price and the Historical Cost, as well as any payment which they receive in the case of Outperformance (the achievement of value development in excess of the Performance Bar).

The gross value of the Investment Items is specified in the case of each Whisky Portfolio at least once a year. Withdrawals cannot be made from a Whisky Portfolio in the case of any Agreement pursuant to this Investment Prospectus.

The table below provides an overview of the types of costs and how they are charged on.

One-off expenses	Entry fees	0%	<p>No entry fee is payable if you invest in bottles of whisky. The purchase price for a cask of whisky includes all future costs:</p> <ul style="list-style-type: none"> • storage charges; • insurance premiums; • quality assurance costs; • bottle charges; • excise duties; • VAT. <p>Such future costs are allocated to the relevant cask depend on the remaining term.</p>
	Exit fee	0%	No sales fee is charged when an SSMW portfolio is changed upon the expiry of its term.
	Interim exit fee	5%	Where an SSMW portfolio is sold prematurely before the term expires, 5% of the proceeds of the sale is charged by way of a sales fee.
Current costs	Portfolio transaction fees	0%	The impact of costs where we buy or sell a product's underlying investments.
	Other current costs	0%	The effect of the fees which we deduct for managing your investments and the costs presented in Part II (Storage Charges).
Incidental fees	Performance fee	[20/30%]	<p>A performance fee is payable in the case of such a contract.</p> <p>The amount involved is a function of the portfolio and is stipulated in the relevant contract.</p>

6. Information about the investment policy and operations

Scotch Whisky Investments' strategy amounts to select, buy and hold. An Investor acquires a quantity of bottles and/or casks (or parts of them) through Scotch Whisky Investments. They are held until they have experienced a significant development in the value chain. Put another way, Scotch Whisky Investments removes scarce products from the market (in their entirety or otherwise) together with its Investors. They are offered again in stages.

6.1 Selection of items

The selection of individual Investment Items is crucial to this strategy, because not every bottle or cask is as interesting to an Investor. A bottle or cask is only purchased if it is sufficiently reasonable to assume that it will become more scarce. The following factors determine its scarcity profile:

- in the case of a bottle, whether it is issued by a distillery or an independent bottler;
- in the case of a bottle or a cask, the relevant distillery's public profile;
- in the case of a bottle, the condition of the packaging and the label;
- in the case of a bottle or a cask, the quality of its contents and their associated maturation time.

Scotch Whisky Investments has an extensive network in the Scottish whisky sector. When compiling a selection, Scotch Whisky Investments utilises its specialist expertise. It includes a knowledge of:

- the intrinsic product (determination of nose and taste);
- every distillery in Scotland;
- all of the independent bottlers;
- the market history of virtually every existing SSMW vintage.

6.2 Bottle logistics administrative services

Unless an Investor decides otherwise, a Whisky Portfolio consists of physical bottles and casks (or parts of them). The bottles are identified, registered and stored in a secure area within the Manager's head office (in Sassenheim). The area satisfies all of the requirements which the insurer stipulates in this respect. The bottles are insured for their current market value. This is determined no less than once a year in order to avoid the danger of underinsurance.

An Investor will receive a report on the market value development of the bottles comprising part of their Whisky Portfolio once a year.

6.3 Bottle logistics administrative services

Following its purchase and after the formalities have been dealt with, the Manager will arrange for a cask that is to become part of the relevant portfolio to be taken to a bonded warehouse. The conditions in such a bonded warehouse are optimal for the whisky to mature. All of the casks in the warehouse can be traced back to their individual owners, in this case the Investors.

Cask management

The Manager ensures that the maturation process is carefully monitored. After all, the value development of whisky is closely related to its age. Amongst other things, specialists check:

- the process of normal evaporation in the cask (the 'angels' share');
- any leaks;
- variations in taste – intervention if there is a risk of a disruption of the taste balance;
- alcohol content – the percentage may not drop below 40% by law.

An Investor will receive a report on the market value development of a cask of maturing whisky once a year.

6.4 Determining and reporting market value

Public price variations (which may be monitored online) serve as the starting point for the determination of the value of the whisky. In the case of bottles the latest sales price for an identical one is considered. There is no question of transparency and public pricing in the case of a cask of maturing whisky. For this reason its value is determined by pricing analogy.

Determining the value of bottles

The value of a bottle is determined by using the latest transaction price on The SWEX. If no recent (less than six months) transaction price is available, an external auction or retail asking price is employed.

Determining the value of casks

The value of a cask of maturing whisky is determined in the following manner: value per bottle x the number of bottles contained in the case. First there is the value per bottle. It corresponds to the asking price for bottled whisky which:

- comes from the same distillery; and
- dates from the same vintage year; or
- is of the same maturation age.

This involves the whisky which has been bottled by an independent bottler and not any whisky which a distillery has bottled itself. The value of the bottle which has been determined is multiplied by the number of bottles (0.7 litres) contained in the cask. As the whisky continues to mature, the value per bottle usually increases, while the number of bottles contained in the cask declines (evaporation). Normally, the multiplication of an expensive bottle by reduced cask contents produces a larger yield.

7. Key characteristics of Investment Propositions and variants

The most important characteristics of Investment Propositions are described in this chapter. An Investment Proposition has a basic form and there are two variants to it: one with a guaranteed annual payout and one with a deferred minimum payout. The primary characteristics of the basic form of an Investment Proposition are first set out below. They also apply in the case of the variants.

7.1 Characteristics of the basic form

Performance bar

When determining the contents of a Whisky Portfolio an Investor and the Manager agree that the Performance Bar represents the anticipated yield. Any development until this benchmark accrues in its entirety to the Investor. Any increase in value above this benchmark is deemed to constitute Outperformance. Scotch Whisky Investments will receive

a Performance Fee for this. The proportion of this fee is stipulated in the relevant Agreement.

Management Costs and Storage Charges

None are charged. The Manager assumes that the costs may be covered by the profit share which occurs in the case of Outperformance. In the unlikely event that there is no Outperformance, costs are charged on.

Minimum Term

A Whisky Portfolio requires a number of years for any relevant value development to occur. The minimum Term therefore amounts to five years. A Term of seven years provides even greater prospects of value development. The relevant Agreement stipulates the Term for which an Investor opts.

Liquidation Time

The successful liquidation of an entire Whisky Portfolio requires time, the Liquidation Time. The larger the Whisky Portfolio, the more time is required to find all of the buyers. The Liquidation Time is stipulated in years. Added together, the Term and Liquidation Time constitute the period within which an Investor may not have access to the Investment Sum or any part of it in the short term. The relevant Agreement will stipulate the maximum Liquidation Time.

Interim exit fee

Partly because of the relatively long Liquidation Time, Investors are not encouraged to liquidate their Whisky Portfolio before the expiry of the Term. This hardly occurs at the expense of earnings. Nevertheless, private investors may always exit in the interim. The Manager assumes a duty of care to sell the contents of a Whisky Portfolio as favourably as possible. Acting in advance, the Manager will consult the relevant Investor about the requisite speed and yield.

By way of compensation for the effort, the Manager will charge a commission equal to 5% of the proceeds of the sale. The Performance Bar is reduced to 0% and a 30% performance fee is charged should the proceeds of the sale less the sales commission amount to a positive yield.

7.2 Guaranteed annual payout

This variant of the basic form is important to those Investors who would like greater certainty with regard to the yield that is to be collected during the Term and would like to see this reflected in liquidity. They may opt for a guaranteed annual payout. This amount constitutes no less than 2% of the principal sum irrespective of the development of the value of the Investment Portfolio. In exchange for this security the Performance Bar will move to 0%.

7.3 Deferred minimum payment

The deferred minimum payment variant is available for those Investors who attach greater importance to certainty and not so much to liquidity. In this case the Investor will receive a payout equal to a minimum of 3% per annum (compound) upon the expiry of the Term. In exchange for this security the Performance Bar will move to 0%.

8. Information concerning an amendment of the Terms and Conditions

Circumstances may change during the Term of an Agreement. As a result, the Manager may find it necessary to amend this Prospectus and the Terms and Conditions. The purpose of such amendments is to ensure that an Investor's position remains intact or improves when viewed against the background of the new situation. Such amendments involve the nature, scope and components of the work which the Manager carries out themselves or outsources. These amendments may follow on from or may be related to:

- updates or amendments to reflect ongoing developments at Scotch Whisky Investments and its businesses or any projects executed within them;
- the continuing expansion of Scotch Whisky Investments' operations and/or an increase in any capital that it has raised which renders continued ongoing growth, development, hiving off or outsourcing work (or part of it) for the relevant Investment Item to other parties possible, advisable, necessary or efficient (or cost-efficient);
- any future improvement of the liquidity or marketability of the Investment Items and/or any oversight of this by other parties;
- any amendment of the relevant legislation, including tax law in the Netherlands, United Kingdom or Scotland (as a result of Brexit or otherwise), as well as any changes due to or because of rules (including future or proposed rules) issued by regulatory authorities in the relevant markets.

Before an amendment is adopted, an Investor will be notified in writing of its nature, implications and effective date.

This will occur together with a statement of the grounds for such action and of the scope of the ground(s) for such amendment. Notice of an amendment need not be required where the amendment may reasonably be considered to be too minor to have a substantial effect on an Investor's position.

Disclaimer

The offer provided through this Prospectus is made by Scotch Whisky Investments in the Netherlands. Although the utmost care has been exercised while compiling it, we cannot preclude mistakes, or printing or spelling errors. After adopting all reasonable measures and in so far as Scotch Whisky Investments is aware, the information contained in this Prospectus reflects the reality and none has been omitted whose mention would alter its purport.

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