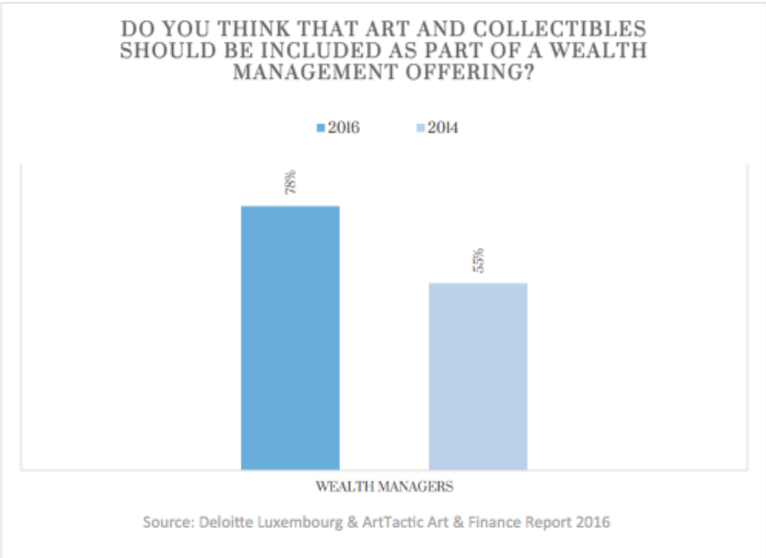
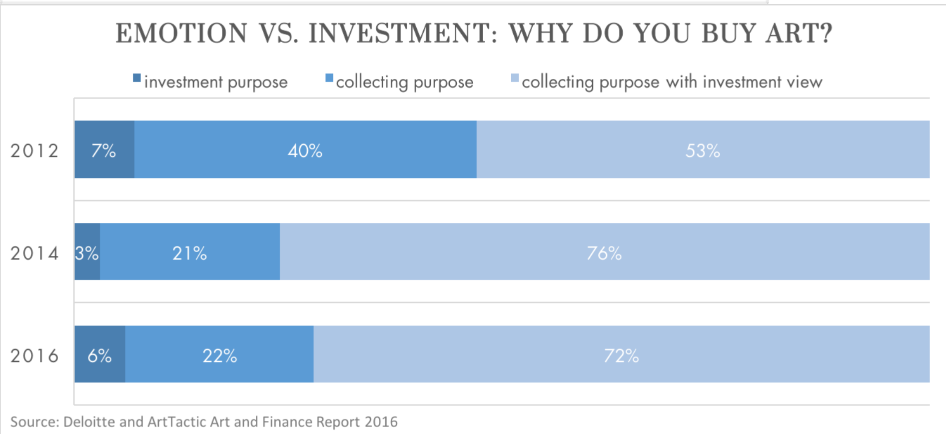
ART & MONEY: WEEK OF SEPTEMBER 14TH

September 14th, 2016

Casual observers of the art market may read varying headlines, ranging from questioning art as an investment to the relationship between the economy and down art sales. However, an informed art investor knows that down sales or a turbulent economy doesn't always mean a down art market. Why? Collectors usually hold onto their art investments as stores of wealth. Serious investors balance their portfolio with hard assets that hedge against inflation with investment in stocks and bonds. As artwork is purchased with an investment purpose, investors view artwork less as a decorative object, and more as a tangible asset to hold and accrue value. If there are down sales, these tangible assets are further viewed as stores of wealth to ride out the turbulent market. More collectors are making art asset transactions through private sales, instead of acquiring works through auction due to the uncertain time for auctions in the art market right now. An investor has less control over the auction results of a work than through a private transactions, therefore as more transactions are happening privately, more reports are stating a 'down market' through solely looking at auction sales. Data is captured from the public market, despite a large percentage of deals made privately.

According to the Deloitte Luxembourg & ArtTactic Art & Finance Report 2016, 72 percent of art collectors said they bought art for passion with an investment view in 2015. Further, it was reported that, the same year, 54 percent of wealth managers (up from 43 percent in 2014) said the strongest argument for including art and collectibles in a wealth management context was based on portfolio and asset diversification opportunities offered by [these assets].



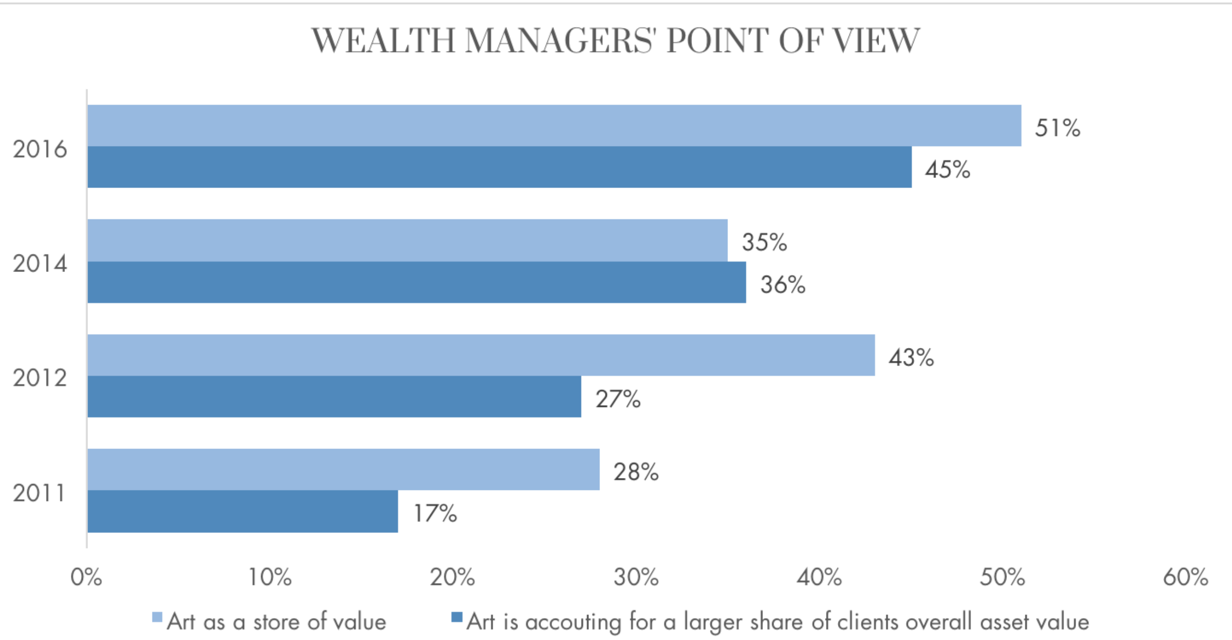


Dr. Clare McAndrew, a cultural economist and investment analyst, wrote in her book Fine Art and High Finance (2010) that “many sectors of the art market have shown consistently low or negative correlation with financial indices over time…. making art an attractive alternative investment in order to diversify risk” (pg. 28). Further, “if sectors of the art market have low correlation with equity markets, for example, investors may either substitute art for poorly performing stocks in their portfolio or simply invest in art to maintain a more balanced portfolio of assets with lowers risk in the turbulent economic environment” (pg. 28). Therefore, in a turbulent market, collectors are more likely to hold onto their art assets as a store of wealth and as a way to maintain balance in their investment portfolio.

ART HAS A LOW CORRELATION WITH OTHER FINANCIAL ASSET CLASSES

	S&P 500 Equity Index	MSCI EAFE Equity ETF	FTSE NARBT All Equity REIT	Barclays Aggregate Bond	S&P GSCI Commodity Index	Mei Moses World All Art
S&P 500 Equity Index	1					
MSCI EAFE All Equity ETF	0.7367	1				
FTSE NARBT All Equity REIT	0.4909	0.4898	1			
Barclays Aggregate Bond	0.2137	-0.1783	0.0884	1		
S&P GSCI Commodity Index	0.1157	0.3593	0.1609	-0.2271	1	
Mei Moses World All Art	0.027	0.0882	-0.1365	-0.0902	0.2440	1

Source: JP Morgan, ECJ Capital Research



Source: Deloitte and ArtTactic Art and Finance Report 2016

Diversifying your portfolio with art is the perfect way to mitigate risk while investing in an industry that has performed historically well across market sectors. For investors who appreciate the financial qualities of art but do not have the expertise to invest, art funds allow investors to reap the benefits of art as an alternative asset within their portfolio while having access to art and finance professionals who strategically invest in works that reflect positive trends in the market. In cases of down sales, it is a relief to know that art experts are investing and managing your art investments as stores of wealth while allowing you to yield returns on a booming asset class.