

Art of the Deal

Contemporary Art in a Global Financial Market

Noah Horowitz

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For Louise

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Appendix C: Art Investment Fund Universe

Table C1 presents the universe of art investment funds as of December 2009. The information has been gathered both from publicly available sources and from my own correspondence with the management of the funds themselves. I present who is behind the funds, when they were established, how they are structured, as well as their investment targets, strategy, and status. The table reflects, to the best of my knowledge, the most accurate snapshot of these investment vehicles at the time of writing.

Readers should note, however, that as the majority of these funds are unregulated and highly discreet—even biased—about the information they reveal, any summary overview is bound to at least a moderate degree of imprecision. Moreover, the effects of the global financial crisis, which were felt acutely in this industry beginning in the second half of 2008, caused many funds to close, restructure, or disappear from the radar. Some information is consequently missing or “undetermined”—a reflection of the art investment fund universe as, above all, a work in progress.

TABLE C1
Art Investment Fund Universe, December 2009

<i>Management</i>	<i>Name of Fund</i>	<i>Investment Details</i>	<i>Fund Overview</i>
ABN-AMRO with Seymour Management. Ariel Salama. London	ABN-AMRO Art Investment Advisory Service	Target: \$75m–150m	Launched September 2004
Société Générale Asset Management Alternative Investments (SGAM AI). Olivier Maman. Luxembourg	Alternative Investment Art Fund	Target: €50m Minimum: €125,000 Term: 8 years	Launch announced June 2007. Modern and contemporary art
The Collectors Fund, LLC. Alexander Kemper. Kansas City	American Masters Collection I, LLC	Target: \$20m–\$30m Minimum: \$132,000 Term: 10 years + 2 optional 1-year extensions	Launched May 2007. 20th–21st century American art

<i>Fund Description, Fees</i>	<i>Website</i>	<i>Status</i>
Art investment ‘fund of funds.’		Abandoned 2005. Available art funds not sufficient to set up fund of funds.
Private equity model. Target IRR: 15%–20%. Avg holding period of 2–4 years. Seek approx 100 works (avg value €500,000). Expected to raise \$150m in its second year, with 15% annual returns.		Abandoned 2009 after several attempts by SGAM to restructure and market it.
Most investments between \$50,000–\$500,000. To buy \$10m–\$15m of art each year. Investors may borrow works from Fund. Active management. 2% annual management fee and 20% performance fee. One time initial fee: 6% on commitments up to \$132,000; 4% on additional commitments up to \$500,000; retroactive fee adjustment at \$500,000 and above.	www.thecollectorsfund.com	Valued at \$13m in August 2009. Expected to close to new members at end of 2009, and have approximately 130 investor entities.

continued

TABLE C1 *cont.*

<i>Management</i>	<i>Name of Fund</i>	<i>Investment Details</i>	<i>Fund Overview</i>
Anthea Art Investments AG. Massimiliano Subba, Nicolai Frahm. Zug	Anthea 1 Contemporary Art Investment Fund	Target: €30m–€40m Minimum: €250,000 Term: 8 years	Launch planned for May 2010. Postwar and contemporary art
MutualArt Inc. New York	Art Dealer Fund	Target: \$50–\$100m Term: 10 years	Announced 2004/05. Contemporary art by emerging and midcareer artists
Artemundi Management. Javier Lumbreras. Cayman Islands	Artemundi Global Fund	Target: \$150m (expandable to \$225m) Minimum: \$500,000 (individuals) \$1m (institutions) Term: 5 years	Launched August 2009. Old Masters to contemporary art

<i>Fund Description, Fees</i>	<i>Website</i>	<i>Status</i>
Closed-end fund. Target IRR: 15% p.a. First art fund to be regulated by the Irish Financial Services Regulatory Authority. Diversified investment strategy aimed at a mixture of iconic works by leading post-war/contemp artists alongside work by emerging artists, artists from developing economies and distressed sales opportunities. 2% p.a. management fee; 20% performance fee.	www.anthea-art.com	In startup phase.
Closed-end private equity fund model. Participating dealers to be paid for the works, 50% in cash plus 50% in participation notes in the fund. Proceeds allocated to investors, dealers and management according to tranching structure. 2.5% annual management fees.		Abandoned shortly after announcement.
Closed-end fund. Target annual IRR: 18% net of fees and expenses. Most art investments above \$250,000. Members may display fund's artworks in their homes.	www.artemundi-globalfund.com	Undetermined.

continued

TABLE C1 *cont.*

<i>Management</i>	<i>Name of Fund</i>	<i>Investment Details</i>	<i>Fund Overview</i>
Art Estates GMBH. Taris Ersin Yoleri/Johannes Heinzmann. Hamburg	Art Estate Kunstfonds 01	Target: €7.4m Minimum: €2,500 Term: 15 years	Launched fall 2006. Postwar and contemporary art
Rik Reinking, Martin Bouchon. Hamburg	Artfonds 21 AG	Target: €3m Minimum: €3,000 Maximum: €30,000 No Term	Launched April 2007. Modern and contemporary art

<i>Fund Description, Fees</i>	<i>Website</i>	<i>Status</i>
25 artworks by 10 established contemporary artists (incl. Richter, Baselitz, Warhol, Rauschenberg, Wesselmann, Stella, Rosenquist). Annual return target: 10%.	www.artestate.com	Undetermined—website no longer in operation.
Structured as a German stock corporation, without limited duration, that collects and trades modern and contemporary art. Gallery owners and art producers acquire shares in the company in lieu of payment, or can become a partner in the partnership Artfonds 21 Kunstler GbR and receive 10% of annual profits. Running costs are covered by leasing of the art and by sales of editions. Minimum holding period of approx 5 years. Funds received through sales will either be reinvested in new works or paid out as a dividend to shareholders.	www.artfonds-21.com	Raised €303,750 from 25 investors and invested €270,000 thereof into approx. 50 artworks. First sales projected in 2011–12.

continued

TABLE C1 *cont.*

<i>Management</i>	<i>Name of Fund</i>	<i>Investment Details</i>	<i>Fund Overview</i>	<i>Fund Description, Fees</i>	<i>Website</i>	<i>Status</i>
CAIAC Fund Management AG. René Bollhander. Lichtenstein	TheArtFund (FineArt AG)	Target: €50m Minimum: €25,000	Launched May 2007. Modern painting, with limited photography and contemporary art	Open-ended (quarterly redemptions). Open trading (arbitrage) art fund. Works are retained for a maximum of 3 years. Art investments above €25,000. Additional income from exhibitions, merchandising, art leasing and traditional loans. Maximum of 10% to 20% invested in fixed interest securities. Annual return between 12%–15%. All-in-fee: 4% per annum	www.theartfund.li	Undetermined—website no longer in operation; no response to email requesting further information.
Art Fund Management Ltd. Gil Brandes. Israel	Art Partners		Postwar and contemporary art, primarily midcareer artists frequently traded at auction	Investment Committee also includes Amalia Dayan, Mark Fletcher, Chemi Peres and Isaac Hillel.	www.artfunds.com	Undetermined.
Merit Alternative Investments GmbH. Friedrich Kiradi. Vienna (Cayman Islands SPC)	Art Photography Fund	Minimum: €70,000 Target: €70m	Launched March 2008. 19th century to 1970s art (up to 90%) and contemporary art (up to 25%)	Open-ended (quarterly redemptions). Expected 10%–15% returns annually. Minimum 3 years. 2% management fee, 20% performance fee.	www.artphotographyfund.com	17.7%: Cumulative returns since inception. Composed of over 1,100 works by 130 artists. (Figures as of September 2009)
Serge and Micky Tiroche. Israel/Luxembourg	ArtPlus	Target: \$100m–\$200m	Launched fall 2008. Modern and contemporary art	To raise money in the form of shares. Will hold “blue-chip” works and engage in short-term trading. Aim to issue shares within 3–5 years.		Abandoned.

continued

TABLE C1 *cont.*

<i>Management</i>	<i>Name of Fund</i>	<i>Investment Details</i>	<i>Fund Overview</i>	<i>Fund Description, Fees</i>	<i>Website</i>	<i>Status</i>
Artistic Investment Advisors. Justin Williams/Chris Carlson. Guernsey	Art Trading Fund 1	Target: £25m Minimum: £100,000 Term: 3 years	Launched summer 2007. Impressionist, modern, and contemporary art	Closed-end fund. Target IRR: 30% p.a. Art hedge fund aiming to exploit the inefficiencies of the market and aggregate primary and secondary markets; buying art directly from 10 living artists, plus derivatives from art market-related companies. Challenges conventional “buy and hold” art fund model. Lists Charles Saatchi as art advisor. 2% flat fee, 20% performance fee on returns over Libor.	www.thearttradingfund.com	Abandoned December 2009. Investment performance of The Art Trading Fund I unclear; plans to launch The Art Trading Fund II in 2008 and a 5-year Vulture Fund in 2009 never materialized. Email to management requesting further information not responded to.
ARTvest/ UBU Gallery. Glasgow	ARTvest	Target: £112,500 Minimum: £1,500 p.a. Term: 3 years	Launched June 2006. Contemporary art	Art buying syndicate. Pools of max 25 members; every member gets 2 artworks or the equivalent in cash at the end; most purchases directly from artists. 20% management fee.	www.artvest.co.uk	Undetermined—website still in operation but does not appear not to have been updated since 2006.
Aurora Fine Art Investments. Viktor Vekselberg. New York	Aurora Fine Art Investment Fund	Target: \$100m+	Launched April 2005. 19th–20th century Russian art and crafts; since 2008 also Impressionist and Post-Impressionist art	More than 1,000 artworks.	www.aurorafund.com	Still in existence but never seems to have been established as a “fund” in the conventional sense—principally an investment vehicle for Vekselberg’s own collection. Cumulative value supposedly peaked at over \$200m but reportedly in the process of being sold off since 2008.
Cannonball Funds. Federico Moccia. Singapore	Cannonball Art Fund	Target: \$10m Minimum: €100,000	Launched 2007. Warhol prints	30% performance fee (no management fee).		Undetermined—believed to have been wound down.

continued

TABLE C1 *cont.*

<i>Management</i>	<i>Name of Fund</i>	<i>Investment Details</i>	<i>Fund Overview</i>	<i>Fund Description, Fees</i>	<i>Website</i>	<i>Status</i>
Castle Trust Group, Gibraltar	Castle Apollo Fund (Castle Fund Administrators Ltd)	Minimum: €100,000	Launched August 2008. Fund of funds	Seeks to invest in 15–20 international art funds. Targeted at medium to long term investment periods of 18–36 months.	www.castlefund administrators.com	Abandoned in 2009.
Julian Thompson and Jason Tse. London and Shanghai	The China Fund	Target: \$100m Minimum: \$250,000 Term: 5–7 years	Chinese arts and crafts (low painting allocation)	Closed-end fund. Target IRR: 12%–15%. Annual purchasing allocation: 40% to core collection purchases; 40% to “masterpieces”; 20% to short-term investment opportunities. Fees: 2% AUM; 20% performance (after 6% hurdle)		Generated some press in the 2004–05 period, around the same time that the Fine Art Fund launched its first art investment vehicle, but it never got off the ground and has subsequently been abandoned.
Christie’s Art Asset Management. London and New York	Christie’s Opportunity Fund I	Target: \$250m–\$350m Term: 5 years (plus up to 3 1-year extensions)	Fund planning initiated 2008. Old Masters, Impressionist, modern and contemporary art	Closed-end fund. Target IRR: 20%. Focus primarily on works below \$10m and majority between \$1–\$4m.		Abandoned spring 2009.
Castlestone Management. Angus Murray. London/British Virgin Islands	Collection of Modern Art	Target: \$100m Minimum: \$10,000 (individuals) \$1m (institutions) Term: 8 years	Inaugurated November 2007; opened to investors March 2008; commenced trading spring 2009. Postwar art from non-producing or deceased artists	Open-ended mutual fund. Target IRR: approx 9% (or 4%–6% above inflation). Aim to create portfolio that mirrors AMR Post-War 50 Art Index: 80–120 works in total from 40–60 artists. Fees: 20% performance fee charged to all investors; 1% management fee charged to institutions; 1.25% management fee charged to individuals (retained by Independent Financial Advisor who places investor with Castlestone).	www.collectionof modernart.com	\$28m total commitments and \$12m allocated to art as of December 2009; majority of commitments to date in art from fund founder.

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TABLE C1 *cont.*

<i>Management</i>	<i>Name of Fund</i>	<i>Investment Details</i>	<i>Fund Overview</i>
Advanced Capital Group. Simon de Pury/ Robert J. Tomei. Luxembourg	Contemporary Art Fund	Target: €150m	Announced summer 2008. Established and emerging contemporary artists, some photography and design
Crayon Capital/ Vadehra Art Gallery. New Delhi	Crayon Capital Art Fund	Target: Rs 40 crore (approx \$8m) Minimum: Rs 10 lakh (approx \$20,000)	Launched November 2006. Indian contemporary art
Daman Investments PSC. Shehab Gargash. Dubai	The Daman Middle East Art Fund	Target: AED 50m (approx \$14m) Term: 5 years (with up to 2-year extension)	Launched May 2008. Contemporary Middle Eastern art

<i>Fund Description, Fees</i>	<i>Website</i>	<i>Status</i>
Target IRR: 20%.	www.contemporaryartfund.lu	Fund placed on hold in 2009.
Closed-end fund. Target returns of 30%–40%. “By invitation only.” Lock-in period of 3 years. Leading artists only.	www.crayoncapital.com	Returns of 10.10% as of September 2009, according to the fund’s website. Invitation-only structure suggests that Crayon Capital is closer to a private investment syndicate than an actual art fund.
	www.daman.ae	Undetermined.

continued

TABLE C1 *cont.*

<i>Management</i>	<i>Name of Fund</i>	<i>Investment Details</i>	<i>Fund Overview</i>
Dean Art Investments Ltd. Gerard Moxon, David Thomas. London, supported by Harbor Capital Partners Ltd. Dean Art Fund IC established as a Jersey-based Incorporated Cell Company	Dean Art Fund IC	Target: \$50m–\$200m	Launched October 2008. Old Masters to contemporary art
Emotional Assets Management & Research LLP. Bernard Duffy. London/Guernsey	The Emotional Assets Fund I	Minimum: £100,000 Term: 5 years	Launched November 2009. “Emotional Assets” across 15 collectables sectors, from fine art and stamps to vintage jewelry and rare manuscripts

<i>Fund Description, Fees</i>	<i>Website</i>	<i>Status</i>
Open-ended fund with minimum 3-year lock-up. Diversified portfolio with co-investment opportunities and borrowing/leasing art to shareholders; avg. price between \$500k–\$5m. Unique feature is full FSA regulation of the Manager, via Harbour Capital platform. Fees: 2.5% management fee, payable monthly; 10% incentive fee, based on semi-annual valuations; 1% performance fee, on realised sales. Investment Art Advisor: Jeremy Eckstein.	www.deanartinvestments.com	Abandoned summer 2009.
Closed-end fund. Target IRR: 15% p.a. Hybrid structure: The Fund aims to invest 60% of its gross assets in funds invested in Emotional Assets and 40% in direct Emotional Assets holdings. Distributions to investors made as assets are sold. Advisor is authorised and regulated by the FSA.	www.emotionalassets.com	Raising funds.

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TABLE C1 *cont.*

<i>Management</i>	<i>Name of Fund</i>	<i>Investment Details</i>	<i>Fund Overview</i>
Fernwood Art Investments, LLC. Bruce Taub. New York and Boston.	2 funds proposed: Fernwood Sector Allocation Fund, Fernwood Opportunity Fund	Target: \$150m Minimum: \$250,000 Term: 8–10 years	Company founded October 2003. Old Masters to contemporary art.
Fine Art Management Services. Philip Hoffman. London	4 funds in operation: The Fine Art Fund I, The Fine Art Fund II, The Chinese Fine Art Fund, The Middle East Fine Art Fund	Target: \$100m–\$350m Minimum: \$250,000 (for FAF I and FAF II); \$100,000 (for Chinese and Middle East FAF)	Company founded in 2002, FAF I opened in April 2004. Old Masters to contemporary art for FAF I and FAF II; 2 other funds are region-specific

<i>Fund Description, Fees</i>	<i>Website</i>	<i>Status</i>
Closed-end funds available for sophisticated and qualified investors. FSAF structured as a diversified fund, with investments across eight genre categories from Old Masters to Emerging Masters. FOF focused on opportunistic short-term gains.		Dissolved June 2006. Suit outstanding against Taub by investors who had purchased preferred shares in the parent company, Fernwood Art Investments, LLC. Claims include embezzlement, fraud/intentional misrepresentation, negligent misrepresentation, and breach of fiduciary duty.
Annual return target: 10%–15%. All funds are closed-end. The Middle East FAF is managed in partnership with Bahrain-based Addax Bank; all others are managed exclusively by FAMS. FAMS charges a 2% annual management charge on the funds and takes a 20% performance fee over a 6% return rate. Two additional vehicles are also on the horizon, both with a projected launch in late 2009 and an initial close in early 2010: The Fine Art Fund III, a five-year closed-end fund which will focus on acquiring art at distressed prices; and The Indian Fine Art Fund.	www.thefineartfund.com	Results (as of October 2009): \$89.27m: total commitments 30.15%; Annualised return on <i>all</i> assets sold 34%; FAF I avg annualized return on assets sold 29%; FAF II avg annualized return on assets sold 13%; Chinese FAF returns based on Directors' valuation of assets 6%; Middle East FAF returns based on Directors' valuation of assets 18 months; Avg. holding period on assets sold.

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TABLE C1 *cont.*

<i>Management</i>	<i>Name of Fund</i>	<i>Investment Details</i>	<i>Fund Overview</i>	<i>Fund Description, Fees</i>	<i>Website</i>	<i>Status</i>
Neville Tuli, advised by Osians. Cayman Islands registered fund with a Jersey Feeder	The Indian Asian Arab Art Fund	Target: \$200m	Launch planned for beginning of 2008. Indian, Asian, and Arab art	Closed-end fund with 4-year lock-in period. Target IRR: 16%–24% p.a. Looking to hold assets for 18–30 months.		Fund placed on hold in November 2008.
Meridian Art Partners LLC. Andrew Littlejohn, Pamela Johnson, Delaware. Managed by Meridian Art Management LLC, New York. Distribution Partner, Calamander Capital Pte Ltd, Singapore (Fund jurisdiction: Delaware/BVI Master-Feeder Structure)	The Meridian Emerging Art Markets Fund	Target: CHF 100m Minimum: CHF 250,000 Term: 5 years with up to two 1 year extensions	Launched February 2008. Established contemporary art, mainly from emerging markets	Closed-end. Target IRR: 30% p.a. Trading executed through global network of consultants and art advisors. Investment strategy focuses on absolute returns and diversified risk across geographic market sectors. 85% of portfolio allocated to established contemporary art from emerging markets; 15% allocation to Western contemporary art.	www.meridianartpartners.com	Fund placed on hold in May 2009.
Osian's–Connoisseurs of Art Pvt. Ltd. Neville Tuli. Mumbai	The Osian's Art Fund (Scheme Contemporary 1)	Target: Rs 100 crore (approx \$20m) Minimum: Rs 10 lakh and thereafter in multiples of Rs 5 lakh (\$20,000 and \$10,000, respectively)	Launched July 2006. Modern and contemporary Indian art	Closed-end fund with 3-year lock-in period. Target IRR: 20%+ after tax.	www.osians.com/wms/funds.php	Dissolved July 2009. The closure has attracted considerable press, notably focusing on delays in redeeming the fund's investors and other outstanding legal claims against Tuli and Osians. Prior to closure, the fund reportedly had Rs 102.40 crore under management, with returns of 5% since inception.

continued

TABLE C1 *cont.*

<i>Management</i>	<i>Name of Fund</i>	<i>Investment Details</i>	<i>Fund Overview</i>	<i>Fund Description, Fees</i>	<i>Website</i>	<i>Status</i>
Prime Art Management Ltd. Manuel Gerber	Prime Art Funds	Term: 6–8 years	Launched fall 2008. Emerging artists with little or no track record	Proprietary econometric system enables forecasting future price in absence of past market records. Gallery-friendly (not at auctions), exclusive focus on the primary market.	www.primeartfunds.com	Dissolved in 2009.
Phillips, de Pury & Company and Savigny Partners LLF	The Savigny Art Fund	Target: \$300m–400m, with \$250m being raised in a first closing. Term: 10 years	Announced November 2007. Contemporary art (80% established artists, 20% emerging artists), design, and photography	Target IRR: 20%+, 80%–90% with medium term appreciation; 10–20% shorter-term investments (9 months–2 years).		Abandoned in 2008. Unable to attract sufficient investor interest.
Sharpe Investments Ltd. Thomas Scharitzer. Gibraltar/Cayman Islands	Sharpe Art Fund	Minimum: €100,000	Launched August 2006. European, U.S., Asian, and African art	Open-ended fund with quarterly redemptions. 2% management fee, 20% performance fee.	www.sharpeartfund.com	€22m under management (as of December 2009) NAV: 152.65 (year-end 2009) Performance in 2009: 6.87%.
Corepoint Capital AG. Zurich	The Stella Fund	Term: 4 years, with up to 2 1-year extensions		Quarterly redemptions, with 90-day notice.	www.corepointcapital.com	Undetermined.
Zelda Cheatle, London	WMG Photography Collection	Target: £10m	Launched September 2007. Photographs	20 investors; allocation to approx 4,000 photographic prints.		Initial backing by WMG, a London-based hedge fund, fell through and the initiative was restructured in 2009 as the Tosca Fund Collection. Details on AUM and returns not available.
Edelweiss Capital/Sakshi Art Gallery. Geetha Mehra. Mumbai.	The Yatra Fund	Target: \$3.7m Minimum: \$60,000 (in 2 tranches) Term: 5 years	Launched September 2005. Indian art	Target IRR: 10%+ p.a.	www.edelcap.com	Undetermined.