



ARTEMUNDI
GLOBAL FUND

FAQ

ABOUT THE ART MARKET

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What is the size of the art market and how is it distributed?

In 2011 the global art market represented \$57.78 billion dollars according to Observations on the Art Trade over 25 Years from The European Fine Art Foundation. According to Artemundi this number is considerably larger. The distributions was the following: 30% for China, 29% for USA, 22% for the UK, 6% to France, 3% to Switzerland, 2% for Germany and 10% for the rest of the world.

How liquid is an investment in art?

Art investments are not very liquid compared to equity or most traditional financial assets but they are certainly more liquid than most hedge funds based on tangible investments (except for metals). Although art is somewhat illiquid it helps to diversify an investment portfolio reducing the overall risk.

What is the time scenario for an art investment?

Generally one must consider a medium or long-term scenario when investing in art. Chosen the right artwork, a non-speculative investment should double its value in 7 to 10 years. This is not a strict rule but can be used as general reference when planning an investment in art.

Are transaction costs in the art market high?

Generally transaction costs depend on where and how you are dealing your artwork. The highest usually correspond to the commission fees paid to intermediaries in the market. Auction houses on average have a 25% buyer's premium, but this can fluctuate depending on the price of the lot. Galleries and dealers' commission is usually around 10%. Artemundi's strategy has focused on engaging in private sales thereby avoiding high fees, on average AGF has only paid 4.62% on commissions. Other transaction costs to take into consideration are shipping costs, photography costs, title and casualty insurance costs, and import/export taxes.

How is an artwork priced?

Artworks can be appraised very accurately using comparable analysis like Real Estate. With the help of databases on Internet this task has become more accurate and accessible to anyone interested in the information.

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Apart from the return what are the additional benefits of investing in art?

- Artworks have an additional value to the investors that derive pleasure from enjoying its emotional and intellectual components.
- Investing in art differentiates from other investors because artworks are a unique and exclusive asset. They can also be considered conspicuous consumption goods.
- Good artworks generate thoughts and reflections. They can enrich the investor's knowledge.
- Art is an investment that spreads culture.
- An art collection creates a unique legacy that expresses the owner's interests.
- In general, art can improve the investor's lifestyle.

Can an investment in art pay dividends?

Unlike traditional financial assets artworks do not yield constant dividends other than the emotional and intellectual experience that one can have from enjoying the investment. A dividend from investing in art could be considered in two cases, in an open-end fund or in a fund of funds, both with art as the underlying asset.

Does the price reflect quality?

Not at all, prices reflect the state of the market at an exact moment and place. The price is only indicative of the state of the demand and the offer for the piece or for the artist. There are many characteristics that could define the quality of an artwork, but expertise and experience are required. Although it would be impossible to define quality with millimetric precision it can usually be done in an accurate way.

Are there any indexes that reflect the evolution of the market?

In the last decade a lot of econometric research has focused on the art market, the result have been couple of indexes that attempt to measure the return of an investment in art. Some of the indexes are: Mei-Moses All Art Index, Art Market Confidence Index (AMCI) by ArtPrice, AMR Price Index by Art Market Research, ArtTactic Art Market Confidence Indicator, Skate's ERR Art Index by Skate's Art Market Research. The problem with these indexes is that they are not as representative of the market as financial indexes, mainly because the number and frequency of the observations is insufficient. Although they are not perfect, they are suggestive of how the art market behaves.

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What is the importance of auction houses in the market?

Approximately 40% of the art market transactions are through auction houses. The advantage is that the prices of the lots they sell are information available to the public making the market more transparent and thus more efficient. The disadvantage is that the art auction market is an oligopoly controlled by very few auction houses.

What has been the effect of technology in the art market?

In the last decade Internet has had a remarkable influence in the art market. This can be observed mainly in two areas: online sales/auctions and on the information available to the public. Some auction companies have developed online trading platforms in order to facilitate the selling of artworks. Like many other sectors, the art market is heading towards faster, more liquid and transparent transactions. On the other hand, the amount of databases with prices and indexes available to the public continues to grow, generating a more transparent and efficient market.