

Investing in art



Love art? Loaded? Then you probably won't just want to view art, you'll want to own it. We sit down with Johannes Glas, of the Middle Eastern Fine Art Fund by Addax, to find out how best to invest

Addax Bank is the regional representative of the London-based Fine Art Fund. In a nut shell, how does the fund work? The primary objective of the 'Middle Eastern Fine Art Fund by Addax' is to provide investors with the opportunity to achieve long-term capital appreciation through investments in high-quality contemporary Middle Eastern Art. The Fund is a 5 year closed ended fund with two possible 1 year extensions. The Fine Art Fund Group in London, which has a strong track record in art funds, manages the fund and selects the art. The minimum commitment is high – US\$100,000. But the predicted profits (20-80%) are also pretty impressive. How do you calculate these profit margins? Not at all, the minimum commitment of US\$100,000 is actually quite low compared to other funds where the minimum commitment can range from US\$250-500,000. The historical returns in the sectors of the art market in which we invest have average annual compounded returns of between 8-12%. We seek to

outperform these returns with a target return for the Fund of approximately 20%.

All investments contain a certain amount of risk. How risky is investing in The Art Fund as compared to other funds?

An investment in art can reduce portfolio volatility due to the low correlation between art and monetary assets. Thus it is an excellent hedge against financial market downturns, especially as the top sectors of the art market tend to show little, or no correlation to stock markets.

Do you ever get to see the work of art that you have invested in? Are you able to hang it on your wall?

Investors in the fund can borrow the works of art to hang on their wall through our "Art Borrowing" structure. The Manager has the discretion to allow investors investing \$100,000 and above to borrow works of art held by the Fund valued at up to three times the level of their investment. A portion of the rental fee is reinvested in the fund as a dividend yield. Another opportunity to invest in the fund and potentially

"hang the art on your wall" is through "Co-Investment Opportunities": The Fund and partners can share in the purchase of a specific work. This allows for short-term high yield growth with no lock up period on an individual picture.

A large part of the fund (35-45%) is concentrated on the purchase of work by Iranian artists. Do Iranian artists offer a better investment opportunity than those working in the rest of the Gulf region? Why do you think this is? The Iranian art market is historically performing very well. There is a strong collector base among Iranians, many of them live abroad and have been exposed to international and Middle Eastern art for many years. Many of the very established modern artists in the MENA region, such as Parviz Tanavoli, Farhad Moshiri, etc. are originally from Iran and demand high ticket prices.

You are an art investor yourself. What's been your most profitable purchase to date?

My most profitable investment in Middle Eastern art is a work by another Iranian artist, Golnaz Fathi. I purchased her work in March 2007 for US\$5,600. A similar work from the same year was sold in March 2008 (only 1 year later) at Bonham's Dubai auction for US\$ 114,000.

If you could buy any piece of art

created by a contemporary Middle Eastern artists, what would it be, and why?

It would be fantastic to own a piece by the Iranian artist Sohrab Sepehri. He is probably the most important Master of Modern Iranian art and is extremely rare. Most of his works are owned by institutions in Iran and many books have been published on his work. Parviz Tanavoli is another artist that I really like and admire. He is one of the very established modern artists and also happens to be originally from Iran. Dia Azzawi, an Iraqi-born painter, is another one of my favourite contemporary Middle Eastern artists. He is an exceptional, world-class artist, art consultant & author. He has published many works on Iraqi contemporary and Arab art. He is a prominent artist, who has played a great role in the promotion of Iraqi and Arab art to a wider audience. Though it should be made clear that these are my personal views, that do not necessarily represent the 'Middle Eastern Fine Art Fund by Addax', and shouldn't be taken as direct investment advice without further consultation.

For more information regarding investing with the Middle Eastern Fine Art Fund by Addax, contact Johannes Glas, vice president of the Investment Group at Addax Bank on johannes.glas@addaxbank.com

Tips for people looking to invest in art

- Only invest in art you like, so that you can at least appreciate it hanging on your wall, in case you can't sell.
- Only invest with a trusted partner that has a strong knowledge of art and all the right contacts to buy / sell.
- Stick to artists that have already been accepted into the big auctions at Sotheby's, Christies, Bonham's, etc.
- As a newcomer, don't invest the majority of your wealth in art, but start today and then increase your exposure gradually (we tend to say that not more than 5% of your net worth should go into art).
- If you have a serious interest to invest in art, please feel free to contact us, as that's what we're here for.