

Art Fund Tracker

SPECIAL REPORT - Art Funds and the Family Office Investment Platform

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EDITOR'S LETTER

Art Funds and the Family Office Investment Platform

It may not be usual to associate fine art and a family office at first glance. There is, however, a long history in the collection of beautiful objects by wealthy families and the discreet management of their various financial planning and lifestyle needs by professional advisors. Art patronage has historically played an important part throughout history in the wealth of ultra-high net worth families. Although the Renaissance is regarded as the golden age of patronage, we are seeing the rise of art as an alternative investment in the modern day portfolios and in the private estates of family offices.

At a time when the financial markets are fluctuating dramatically, investment in high quality works of art with strong provenance is becoming a part of the long-term alternative investment strategy for a growing number of family offices. Equally important, the rise of art collecting by wealthy families is creating a more complex set of financial and non-financial needs which go beyond the traditional range of services family offices offer, and indeed are ill-equipped to provide through their existing business models.

The interests of financial families with exceptional art wealth is becoming more diversified necessitating the integration of art and finance to structure solutions for art succession planning, art financing, art philanthropy and increasingly art investment.

A powerful investment platform has a central role within a family office for families of substantial wealth. Many of the gains realized by family offices in recent years have been a result of strategic diversification of their holdings by moving into a broad range of asset classes. The way investment management is handled however, can vary from office to office, as can the individual products they choose to use as part of their investment strategies. Broadly speaking, about 40% of family offices have an in-