

Art Fund Tracker

News and analysis from the global art investment markets

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EDITOR'S LETTER

The tangible strength of art and collectibles

As signs point to continued turmoil in Europe and gold climbs to record levels, sophisticated investors are turning to real assets to diversify their portfolios and help anchor their investment portfolios. Historically, institutional investors have relied on “real assets” such as oil and gas, commodities and timber to diversify their portfolios and to protect themselves against the damaging by products of inflation and volatility. However, for many wealthy individuals whose needs, resources and access to customised research increasingly resemble those of institutions, art has become the real asset of choice and an important component of strategic portfolio diversification. Especially in light of today’s heightened global volatility.

In February auction house Sotheby’s broke records with Alberto Giacometti’s bronze sculpture *L’Homme Qui Marche I (Walking Man I)* – which sold for \$104 million. This was soon followed in May by the sale of Pablo Picasso’s painting *Nude, Green Leaves, and Bust* at Christie’s for \$106.5 million making it the world’s most expensive work of art ever sold at auction. After a year of sobriety amid the recession, high net worth individuals are again chasing trophy works of art with a fresh tenacity, pushing up prices.

As investors shift their concern from weathering the financial crisis to anticipating the inflationary effects of rising government spending and debt, they are turning to art for tactical and strategic investment. Art, like gold, is classed as a “real asset” and has proven in the past as a natural hedge against inflation.

While many investment professionals agree that real assets provide diversification benefits, there has been surprisingly little research into the appropriate allocation in an investment portfolio. Art used in the right way, can enable investors to better tailor their investment strategies to address specific financial and investment concerns (e.g. controlling volatility, boosting returns, or hedging against