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Art Investments: Passion or Income?



The acquisition of artistic goods is a cost, a passion or an investment? The most obvious answer is: each of them, but depends on the reasons underlying the decision of **dedicating our money to a painting, a sculpture an installation, a carpet, a jewel a precious stone, a watch or any other collectible object with an artistic interest.**



If we consider this as a cost, it means that we need to buy it; a behavior that is not interesting for the purpose of this magazine and of my note, but that exists and influences prices, liquidity and the supply-demand mechanism of each segment.

Passion is the historical engine that moves these markets niches. Anyway, passion means love and love is not strictly linked to an expected return. Furthermore, **the conditions for the efficiency of a market are antithetical to it.** Even if the return is satisfactory, I do not abandon the property, the possession and the retention of my goods; I wish to touch and to contemplate!



What about an investment side approach? The best for an economist, a horror for an art lover! **The use of an artistic tool in order to realize a profit**, maybe buying later another piece, **looking for an even more increased profit.** A merchant of art, not from a industrial point of view, but as a professional investor, that selects according the cold rules of asset allocation and portfolio management. **I do not buy because I like, but because I hope others will like tomorrow!** I don't judge but I look for others' judgements. Pay attention however, that also for securities, these two statements are consistent in optimizing the portfolios.



I should need many pages to demonstrate the value of this approach, but I prefer to emphasize only few items:

- **the creation of a more liquid market** for artistic good is useful for young and/or emerging artists, regulating a difficult personal condition, historically well known;
- **the development of more frequent exchanges**, with transparent prices, will decrease the bargaining power of few merchants able to manage or manipulate prices and artist's career;
- **art is a fantastic tool, not well diffused and neither well known**; an oxymoron assumption: *culture managed through the lack of a diffused culture*.

In terms of return, **some artistic goods are show a fair track record of price increases, competitive with stocks and some marketable commodities**. On the other side, without a sound advice, most of the proposals don't grant returns and are often illiquid or carry losses for buyers.



According to a recent study, reported by Deloitte, an esteem calculates the value of artistic investment **as the 6% of the total wealth professionally managed**, an amount sufficient to individuate an actual asset class that someone starts to call “passion asset” (but passion is an enemy of rational investors!).

Speaking the financial language, **a fair approach suggests the need of diversification**, through the creation of specialized investment funds, an institution that doesn't operate like a collector, but with algorithms in the view of risk/return. Nonetheless, **investing in these funds you don't touch the investment**, one of the most charming factors offered by artistic goods.



