

Art Funds as an Alternative Asset Class

Posted By Alex Akesson, June 10th, 2009 : [Permalink](#)

According to Friedrich Kiradi, head of Merit Alternative Investments GmbH and director of the world-wide first Art Photography Fund. "Investments in material assets such as real estate, commodities, as well as art, continues to be an area that investors seem to be focusing on, with the growing importance of 'art investment' as bridge between the art and finance world." In addition to the financial gains as an investor in the Art Photography Fund, holders are by request able to experience an "emotional yield" in receiving actual works held within the fund upon redemption. The Art Photography Fund has gained more than 15% since inception in March 2008.

"We are convinced that there are better opportunities for investing in sectors or artists that are currently not being 'hyped'; but rather recognised pieces equalling the standard of works displayed in museums by 'blue chip' artists", according to Johannes Faber, gallery owner and advisor to the fund. The performance of the Art Photography Fund has supported his argument, with the fund closing the rump year 2008 up 11.68% and gaining +3.11% in 2009 as of the end of May. With this, the fund was not only able to outperform equity and fixed income markets, but also various art market indices.

Blue Chip Art Works

The qualitative goal of the fund is to become the most important collection of icons in art photography of the classical modern period (approximately 1890 – 1960). The focus is on so-called Vintage Quality, in other words original prints, that the respective artists produced themselves or under their supervision. Of these prints, only a very limited number of copies are available in the open market, as many of these unique works are already held in museums or collections. This means that the supply is limited and continuously shrinking, while the demand is steadily rising.

Next to Johannes Faber, the art photography specialist and collector, Alexander Spuller, was also put in place as advisor to the fund. Their combined experience and network enables them to identify purchasing opportunities of undervalued pieces, while the portion of the fund held in cash enables them to react quickly to such opportunities.

"Our approach tends to be a buy and hold strategy, as investment in art always requires a longer-term investment horizon", according to Spuller, "but selling of art works does occur on a regular basis". Up to 50% of the annual performance should come from realised sales, so as to confirm the estimated values of holdings and also increase the cash reserves for further purchases. To date, actual sales prices achieved were approximately 10% above their respective last estimates given by the two independent valuers.

Besides the encouraging performance of +15.16% since inception in March 2008, the trio is excited about the first important exhibition. The Albertina Museum in Vienna has scheduled to display works of August Sander in January 2010. 70 pieces of works will be on display that the artist, one of the most important photographers of the 20th century, had chosen himself for his last exhibition. This mixed lot was purchased by the fund in the fall of 2008.

Broadly Diversified Portfolio

The collection of the fund is currently made up of over 1,100 works from 130 artists originating from the USA, Europe and Japan. The oldest piece is by Henry Fox-Talbot from 1843, while the youngest works by William Eggleston, Lee Freedlander and William Wegman are from the 1980s. The scope of works covers all epochs of photography and includes early salted paper prints to more recent "dye-transfer prints". The majority of photographers represented in the fund's holdings are considered by art historians and critics as "Old Masters of Photography", such as Man Ray, Henri Cartier-Bresson or Ansel Adams (please see list of artists). In addition, the fund also includes several works and artists with growth potential.

Plans for an Advisory Committee

"We are currently in discussion with representatives of the financial community as well as the international art scene, as we want to have a balanced composition of members advising and supporting the fund", according to Spuller regarding the future. The fund's current capacity is around EUR 70 million, at which point the fund will be closed for new investments, so as to ensure that the performance targets will not be affected. The aim is to reach this target by 2011.

Art Photography Fund

The world-wide first fund investing in art photography targets institutional investors such as banks, insurance companies and foundations. Today, subscriptions into the fund can be made at most Austrian banks, in some cases with smaller denominations, as well as being used by asset managers and private bankers. Subscriptions and redemptions can be made on a quarterly basis, with the next date for investment on 30.06.2009. Up-to-date information and monthly estimated NAVs of the Art Photography Fund can be found on the homepage: www.artphotographyfund.com

Johannes Faber

Born 1952 in Vienna , lives in Vienna as gallery owner and curator. In 1983 founded a gallery for photography that has been active in international art dealing since 1995. Since then, advising national and international private collectors and museums in putting together photography collections. His activities exclusively focus on dealing in vintage prints of photography of the classical modern period of the 20th century, that are, among others, presented at world-wide renowned art fairs such as Art-Basel, ArtCologne, ARCO-Madrid, Paris-Photo, Photography-Show New York and Viennafair. The Gallery Johannes Faber is a member of AIPAD (The Association of International Photography Art Dealers) and the Association of Austrian Galleries of Modern Art, of which Mr. Faber was Chairman between 2004 and 2006.

Alexander Spuller

Born in Vienna in 1970. After graduating with a degree in construction engineering and law, Mr. Spuller worked in his family construction business. Since 1990, A. Spuller completed various property projects in Austria , the Czech Republic and Vietnam . In 1998 Mr. Spuller began collecting art photography, and from 1999 started specializing on works of the classical modern period. In 2005 he was appointed Vice Director of the Gallery Johannes Faber.

Friedrich Kiradi

Friedrich Kiradi is Managing Partner of the Merit-Group and Chief Executive of MERIT Alternative Investments GmbH, a fully licensed investment company by the Austrian Financial Market Authority (FMA), that specialises on the management of funds in managed futures, absolute return/equity hedged and real assets (commodity, art). Further areas of business of companies within the Merit-Group include asset management for foundations and risk management for corporations. Merit is regarded as independent competence centre for all applications of financial derivative instruments, and has specialised on structuring innovative and customised products for banks, fund management companies and industrial clients. The company was founded in 1988 and currently employs 40 professionals in their office in Austria , Malta and the USA.

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