

## Art...as good as Gold!



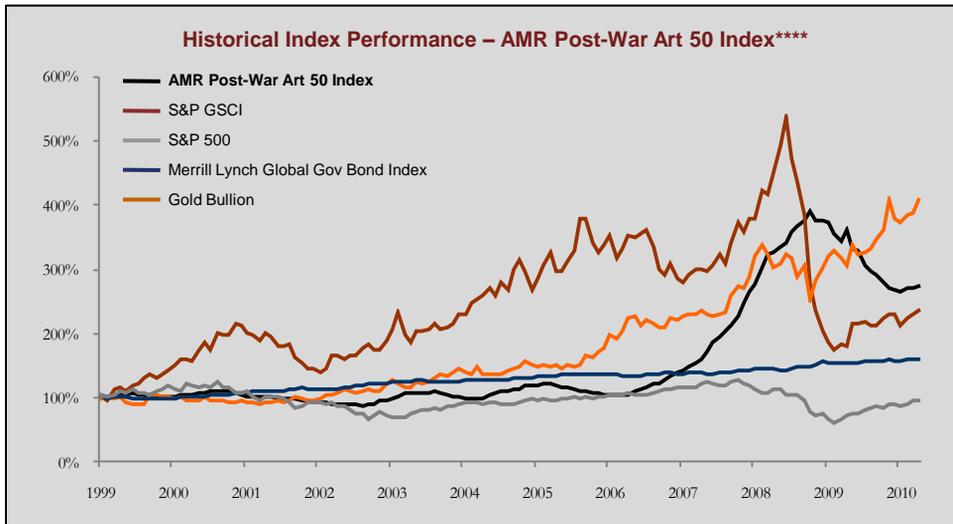
Art as good as gold! - Whilst investors continue to anticipate the inflationary effects of rising government spending and debt, they are turning to art for a tactical and strategic investment. The art market continues to pick up, as collectors' confidence pushed the art market to a 12-month high (at the end of Q1 2010)\* Gold also rallied as prices continued to climb to a four-month high as prevailing concerns continued to linger over sovereign risk and the contagion possibility to other struggling EU economies.

Real assets have since regained their appeal in the current economic landscape. Investors are compelled to further explore the role that real assets like art can play in their portfolios through opportunistic, tactical or strategic investments, in profiting from the diversification benefits.

The latest spring auctions in New York were a testament of this fact as sales volume nearly tripled compared to last year's total sales volume. Sotheby's and Christie's International brought in about \$1.1 billion in sales \*\*. In addition, the Mei Moses Post War Index posting stellar returns up by 19% for Q1 2010. Pablo Picasso's "Nu au Plateau de Sculpteur (Nude, Green Leaves and Bust)", sold for \$106m, with a compound annual return of 15.5% over the 1951's purchase price of \$19,800. The combined Evening Post-War Art and Contemporary Art sales had an average compound annual return of 15.7% with a standard deviation of 8.3%\*\*\*. These results have put the combined art sales within top range confirming the art market has now bounced back and is in top form, from recent lows. Investors seeking to avoid the hazards of the stock market are turning towards art as a real hedge against inflation.

With a track record of over a year, The Collection of Modern Art Fund, is one of the few art funds currently in operation. Now holding 28 pieces, from 15 non-producing or deceased artists, the Fund intends to maximize its capital appreciation through building a diversified portfolio of museum quality Post-War Art throughout the 8-year investment period.

The Fund follows a "buy and hold" strategy as this is the only proven investment strategy as demonstrated by the historically successful examples of the 'Skin of the Bear' and the 'British Rail Pension Fund'. The high operational costs involved in acquiring the pieces and maintaining the collection makes it economically inefficient to trade art in any other way. The Collection of Modern Art Fund therefore aims to offset any costs by actively managing the portfolio and leasing its art works to museums and exhibitions to further increase their value while generating extra income at the same time. That being said the firm places great emphasis on due diligence and constantly monitors the art market in performing macro-economic analysis in keeping up with the latest artist developments. Artist correlation analysis is also performed in order to further decrease risk.



Source: \*AMR (Post-War 50 Index & Art 100 Index). \*\* Wall Street Journal – 'Arts New Winners & Losers' (May 14 2010) \*\*\*Beautiful Asset Advisors – Flash Report May 2010 New York Evening Art Sales. \*\*\*\*Bloomberg & AMR. From December 31, 1998 the Index performance data represents the performance of the AMR Post-War Art 50 Index (14 Month Moving Average).

Image: Keith Haring – Untitled (Andy Mouse) 1985.

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