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# Portfolio *Confidential*

Barbara Stewart

## *Real world confidential portfolio discussions:*

I'm looking for portfolio diversification and wondering if there is any way I can invest in art. Are there art ETFs?

There are no art Exchange-Traded Funds (ETFs) available today. There are some art investment funds, but they tend to have high minimum investments (US\$500K and up) and are therefore suitable only for ultra-high net worth investors. Assuming a maximum five per cent weighting in an art fund, an investor would need a US\$10 million plus portfolio to think about investing in these funds.

Gabrielle Segal is an NYC-based art consultant. She partners with collectors and their financial and tax advisors to incorporate collections of fine art, jewellery, and other passion assets into wealth management and tax-planning strategies. Segal confirms that there has been an increased interest from private investors in the art market:

“Despite huge variation between market segments, art’s unique financial characteristics (and headline-grabbing auction results) have piqued the interest of intrepid investors. Due to their low correlation with other asset verticals, blue-chip artworks may hedge inflation and potentially outperform the S&P in market downturns, making it a useful store of value and a portfolio diversification tool despite inherent obstacles to liquidity. Recent disruption to debt and equity markets in the wake of the COVID-19 pandemic may renew interest in art’s hedging and diversifying capabilities.”

I spoke with Deloitte Luxembourg’s art and finance expert Adriano Picinati Di Torcello who co-authored the Deloitte & ArtTactic’s 2019 Art and Finance Report. Their survey found that while 85% of collectors name “emotional value” a key acquisition driver, half list “portfolio diversification” or “investment returns.” I asked Torcello about how a retail investor can access the art market:

“To the best of my knowledge, there are no big money management firms that make direct investment recommendations in the art market and I’m not aware of any type of Exchange-Traded Fund in this category. On the other hand, there is a lot of discussion these days around the tokenization of digital art assets or physical art assets, but this is likely a longer-term outcome. If you are interested in art purely as an investment there are a few specialty boutiques that invest in art funds, managed accounts, club deals, ... however, we are seeing increased interest for wealth managers dealing with ultra-high net worth individuals to consider offering services to protect, monetize and transfer wealth allocated to collectibles. One approach will be to use external art professionals to have access to in depth knowledge of the art market.”

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