

A LOOK AT THE ARTEMUNDI GLOBAL FUND



Javier Lumbreras

**Managing Member & CEO
Artemundi Global Fund
www.artemundi.net**

As with so much in life and in matters of the mind, heart and money, timing is everything. It wasn't very long ago that the price of quality art was rising at an unsustainable level. Speculators and the extremely wealthy drove the prices of Old Masters, blue chip Impressionist and Modern Art sales, which is why an unusual percentage of lots sold well above the estimates, and the auction rule of thumb that for every five lots, one does not sell, one sells against the reserve, two sell within the estimate and one sells above it – became all but irrelevant. In short,

“until quite recently, opportunities to purchase fine works of art at sensible levels were few and far between.”

Clearly, the economic malaise now facing much of the world has changed the way the game is played. As I discuss in my recently published book, *The Art of Collecting Art*¹, art, like gold, is a tangible real asset that also happens to be portable and requires low maintenance, unlike real estate. Moreover art is a valuable asset class investment instrument because it has a low correlation with other types of investments, thus reducing overall risk. While stocks can suffer double-digit losses in one day, the art market exhibits far more stability due, no doubt, to the limited supply of fine works of art and the emotional attachment of their beholders.

A Contrarian Perspective

“Buy what you like and never mind the price.” Or, put another way: “If you buy what you like, you will never be sorry”. That is the advice long dispensed to novice and connoisseur alike by galleries and auction houses. There is some value in this, of course. However, while we have many dear friends in galleries and the auction houses, theirs is a philosophy we do not ascribe to. The Artemundi Global Fund has as its mission providing a significant return on the investment. We never let infatuation with an artist or painting or school get in the way of this thinking.

Guiding Principles

I. The principal investment objective of AGF is to acquire outstanding examples of fine art in various categories in order to earn an attractive rate of return while taking care to preserve capital.

“At the same time, we recognize that art is the one investment that provides constant pleasure”

We seek investors who share our aesthetic perspective. They will be participating in a small closed-end fund that is not merely a tool to greater riches, but also an investment that rewards in so many other ways.

II. AGF's asset diversification covers more than half a millennium, ranging from XV century art to the art of XXI Century. Some 16% of the portfolio is dedicated to Old Master; 32% to late XIX Century and XX Century masterpieces inclusive of Impressionism, Post-Impressionism, Modern and Post-War; and 20% is invested in Modern Latin-American art of the XX century. The remaining 16% is kept in cash at all times for short-term opportunistic transactions.

III. Our focus is quite narrow, emphasizing classical media, oil, acrylics, mixed media, sculpture and works on paper. Size is relevant; we tend to stay away from large or fragile items. Priority is also given to portability; we prefer small gems to larger, more unwieldy objects. Dollar-wise, most of our acquisitions carry price tags of between \$250,000 and up, not merely to simplify the managing of the inventory but also because we believe that this is the safest strategy in terms of attracting a wider audience and for deaccessioning and disposing of works of art.

IV. Our minimum investment is \$500,000 for individuals or \$1,000,000 for institutions or family offices. We try to keep our investor group as close as possible, and limiting membership is clearly advantageous in

helping to maintain a friendly and familiar environment.

V. We also provide what may well be a first in the art investment industry. We believe that works of art, at least our works of art, cry out to be seen. They should not be hidden away in vaults or warehouses; therefore, our policy is to enable investors to display the Fund's holdings in their homes or offices. We are also the first major Fund to place much emphasis on Latin-American art and we actively pursue investor relations in this robust, undervalued and vibrant market. In addition, we provide investors with the opportunity to learn more about the art of collecting and the art in their Fund through lectures, monographs, and our own insights acquired over the years.

Active Management

AGF's management provides exceptional knowledge and vast experience as art collectors, having invested more than \$250 million in fine art since 1988. We believe success in the fine art market depends on accumulated qualitative and quantitative methodology, global market arbitrage combined with the ability to identify, interpret and capitalize on specific art transaction opportunities. We also have multinational expertise in the areas of logistics, safekeeping, restoration and conservation.

As active traders in many different forms of art deriving from many significant periods, we have a unique and ongoing perspective of the art market, ever mindful of changing tastes and tendencies. As a result, we do not depend as much on indexes and third party interpretations of the market. We are constantly monitoring our strategy to assure we are on course, so as to validate that we are indeed choosing the right works at the right time and that each contributes to the Fund's expected return. Simultaneously, we make the auditing of the fund easier and more transparent, as at any point in time, both the administrator and the auditor can more precisely assess the real value of the portfolio and produce timely and accurate reports. Furthermore, active management enables us to generate the necessary liquidity required to take optimum advantage of unexpected opportunities that come our way.

“Artemundi Global Fund has also established the Artemundi Foundation to promote funding for art studies”

in disadvantaged communities. The Artemundi Foundation will send art instructors and artists to classrooms with the objective ➤

¹ Lumbreras, Javier, *The Art of Collecting Art*, Miami: Ediciones Opus 96, 2009

of introducing students to the visual and performing arts as well as art history. To our minds, the value of instruction in art goes well beyond art for art's sake. It promotes critical thinking, creative expression and visual and verbal skills.

The Artemundi Global Fund will be making a small but significant contribution to the Artemundi Foundation for the Arts on an annual basis.

Reputable institutions including Alter Domus, KPMG, Kirkpatrick & Lockhart/Gates LLP, Sanchez-Medina, Gonzalez & Quesada LLP and Lloyds Underwriters of London are AGF's partners in the areas of administration, auditing, legal and insurance. ●

Javier Lumbreras is CEO of the Artemundi's Global Fund and a fifth generation art collector. He is also the author of "The Art of Collecting Art".