



one: The International Commercial Arbitration workshop held by Melina Karaolia was extremely well organized and attracted a lot of attention. Participants discussed fundamental issues of International Arbitration, e.g. being an alternative to national court and a private mechanism dispute resolution.

In the Bank Secrecy-Workshop participants talked about the applicable law regulating Bank Secrecy in their respective countries and whether their countries have adopted the OECD model. They discussed the limits of this legislation and whether the latest financial climate has changed the application of Bank Secre-

cy in their countries.

In the Company Residence-Workshop participants discussed the vital importance for establishing the tax status of an international company. They discussed what conditions should a company satisfy in order for it to be considered tax residence in their respective countries and what

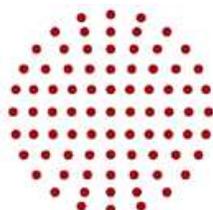
documents should necessarily be submitted to the local authorities.

Participants enjoyed the special atmosphere of the Atlantica Miramare beach hotel. Social highlight was a dinner at a tavern in Limassol on Saturday evening where people enjoyed delicious traditional meals as well as live music and dancing.

Investing in Art as a Real and Tangible Asset

By Javier Lumbreras

It is quite well known that a strong investment portfolio requires a methodical well-diversified asset balance in order to minimize risk. These assets can be financial and non financial. For the purpose of this article, I shall refer to the non-financial assets, with the exception of real estate, called real and tangible assets, such as gold and more specifically, art.



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Let me briefly refer to the historical precedent set by the 1970's when the global economy experienced a period of high inflation and slow growth. During this time, real and tangible assets reported superior returns to their financial colleagues. In 2009, governments were concerned about low growth and unemployment and to revive the economy, they created incentives that included a compounded growth of public spending and an unprecedented increase in the money supply. This excess in money supply can poten-

tially cause inflation coupled with slow growth provoking financial instruments to generate very poor rates of return for investors with savings. Real and tangible assets are a great alternative due to their growth potential while being generally unaffected by inflation.

Investing in art is a relatively new concept. Obviously, collecting art has always existed and the tangible value of art is not in question. However,

in years prior, art investments were focused on the revaluation of assets and were in the hands of a few elite and knowledgeable dealers and collectors causing the art market to be very opaque. With the creation of the internet, everything changed. Now the market is very transparent because art rates are available on the internet and within seconds, one can find out precisely the price a work sold for. Recently, art has become a major asset because of the creation of indexes that prove not only their growth over a century of

compiled results of public sales and auctions, but their low correlation with other investment assets. As a result, investors have found that diversifying ones assets to include some real and tangible segments that will be averse to inflation are crucial to a successful investment portfolio.

As with so much in life and in matters of the mind, heart and money, timing is everything. It wasn't very long ago at the peak of the economy that the price of quality art was rising at an unsustainable level. Speculators and the extremely wealthy drove up the prices of Old Masters and blue chip Impressionist & Modern Art sales, which is why an unusual percentage of lots sold well above the estimates. 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



Wassily Kandinsky

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
...next page



game is played. As I discuss in my recently published book, *The Art of Collecting Art*, art is a valuable asset class 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.

BUSTILLO/LUMBRERAS FAMILY HISTORY OF COLLECTING ART

Art is not a newfound passion of mine; it has been in my family for five generations. My great great maternal grandfather, Francisco Bustillo, started investing in art back in the middle of the 1800's in Spain. Living in Valladolid at the time, he invested his portfolio into equal segments between stocks and bonds, real estate and art, a similar approach to that of the Rothschild's Family. All the walls on their estate were filled with paintings, especially those of 17th and 18th century Old Masters. The art has since been distributed

to many family members, including myself, while simultaneously preserving capital. Art has and always will be a solid investment because works of art of superior quality will retain their high prices throughout the ups and downs in history and are generally unaffected by other markets or inflation.

ARTEMUNDI GLOBAL FUND

With inspiration stemming from my long standing passion for the arts and strong track record of investing within the industry, I recognize that an art investment fund has the potential to serve as a very valuable asset class investment instrument, especially in troubled economic times. With all of that in mind, I have created the Artemundi Global Fund (AGF). AGF is a diversified art investment private equity fund with a strategic portfolio that covers half a millennium of universally recognized artists with proven track records.

I. The principal investment objective of AGF is to acquire outstanding examples of fine art in calculated 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 and 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 Masters; 32% to late XIX Century and XX Century masterpieces inclusive of Impressionism, Post-Impressionism, and Modern; 20% is invested in Modern Latin-American art of the XX century; and 16% focuses on Contemporary Art from emerging markets. 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, and sculpture. Size and portability are very important; we look for small gems. We tend to stay away from large or unwieldy objects. Most of our acquisitions carry price tags of between \$250,000 and several millions, not merely to simplify



Henry Moore

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 selling the work as a comprehensive collection later on.

IV. Our minimum investment is a \$500,000 unit for individuals which can be split between investors, \$1,000,000 for institutions or family offices and \$10,000,000 for Strategic Investors. Strategic Investors have the opportunity to be on the advisory committee, which is included on the inner circles of the buying methodology and trade secrets from the 5th generation art collector. We try to keep our investor group as close as possible in order help 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 and should not be hidden away in vaults or warehouses. Therefore, our policy is to enable ...next page



Roberto Matta



investors to display the Fund's holdings in their homes or offices on a revolving basis. Additionally, 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.

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. 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 AGF to

generate the necessary liquidity required to take optimum advantage of unexpected opportunities that come our way.

Reputable institutions including Alter Domus, KPMG, Walkers 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
Managing Member & CEO
Artemundi Global Fund
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GGI new member firms

We wish to extend a very warm welcome to our new distinguished members

 AUSTRIA	<p>Grazer Treuhand Steuerberatung GmbH & Partner KG Petersgasse 128a 8010 Graz Austria Tel.: +43 316 4780 0 • Fax: +43 316 47 80 500 E: office@grazertreuhand.at W: www.grazertreuhand.at</p> <p>Company languages: German, English Contact person: Dr. Eva Haase, e.haase@grazertreuhand.at Services: Financial Audit & Accountancy Services, Tax Consulting</p>	 <i>Dr. Eva Haase</i>
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