ART AS AN ASSET

OVER the last three millennia there has never been a time when art was not important and appreciated. Humans have a facination for it and our goverments and institutions will take best efforts to preserve it. Art has not only an emotional and intellectual value, it has an accepted financial value.

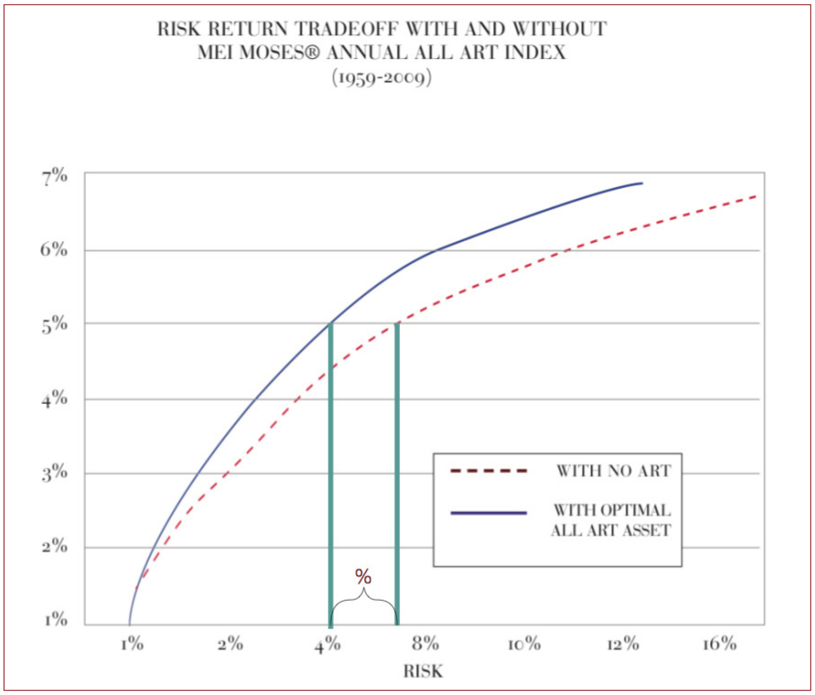
As an alternative asset, art's performance has varied depending on the historical time period under consideration. Professors Jianping Mei, PhD and Michael Moses PhD, co-founders of the Mei Moses Fine Art Index, compiled thousands of repeat-sale auction pairs, collected since 1875. Over the last five and ten year periods, art has significantly outperformed equities, but for almost all these time periods art has had higher volatility and lower liquidity. However, art has low correlation with other assets and thus may play a role in portfolio diversification.

The recent recession has turned every ones' thinking once again toward art. Despite the weak economy, art has been doing relatively well. The art market fell 4.5% in 2008, according to the Mei Moses All Art Index, which analyzes the performance of fine art at public auction. By comparison, the S&P 500 plunged 37%. Artvest estimates that international art sales increased 27.2% in 2010, with transactions amounting to $57.4 billion.

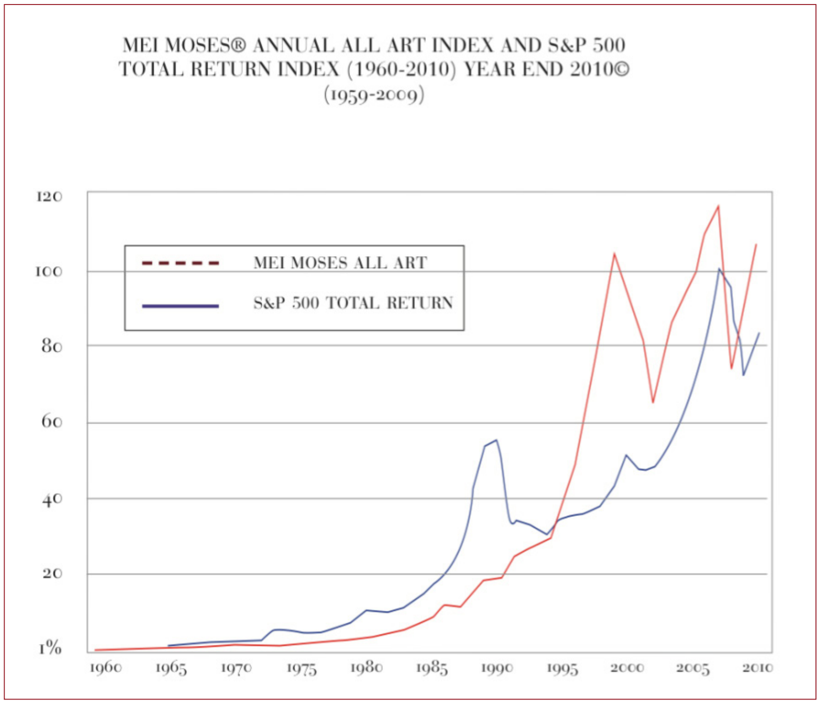
After 5 years of annual growth averaging almost 20%, in 2009, the Mei Moses All Art Index decreased by 23.5%. In 2010, the index grew by 16.6%. Art outperforms the S&P 500 index and for the last fifty years the returns of stocks and the all art index were very close with art achieving a CAR of 9.23% compared to the 9.73% for equities. Investment porfolios should be built on the risk-return tolerance and planning horizon of the investor. This can be achieved with the proper asset allocation and optimization strategies among other variables.

ART INDUSTRY RESEARCH SITES

ORGANIZATION	WEBSITE
Art Facts	http://www.artfacts.net/
The Art Fund Association	http://www.artfundassociation.com/
Art Investment Council	http://artinvestmentcouncil.com/
Art Net Valuation and Market Research	http://www.artnet.com/net/services/markettrends.aspx
Art Tactic	http://www.arttactic.com/
Artprice Confidence Index	http://web.artprice.com/amci/login.aspx?target=amci
AskART	http://www.askart.com/AskART/index.aspx
Fine Art Wealth Management	http://www.fineartwealthmgt.com/home
Mei Moses Art Index	http://www.artasanasset.com/main/
Skate´s Art Market Research	http://www.skatepress.com/

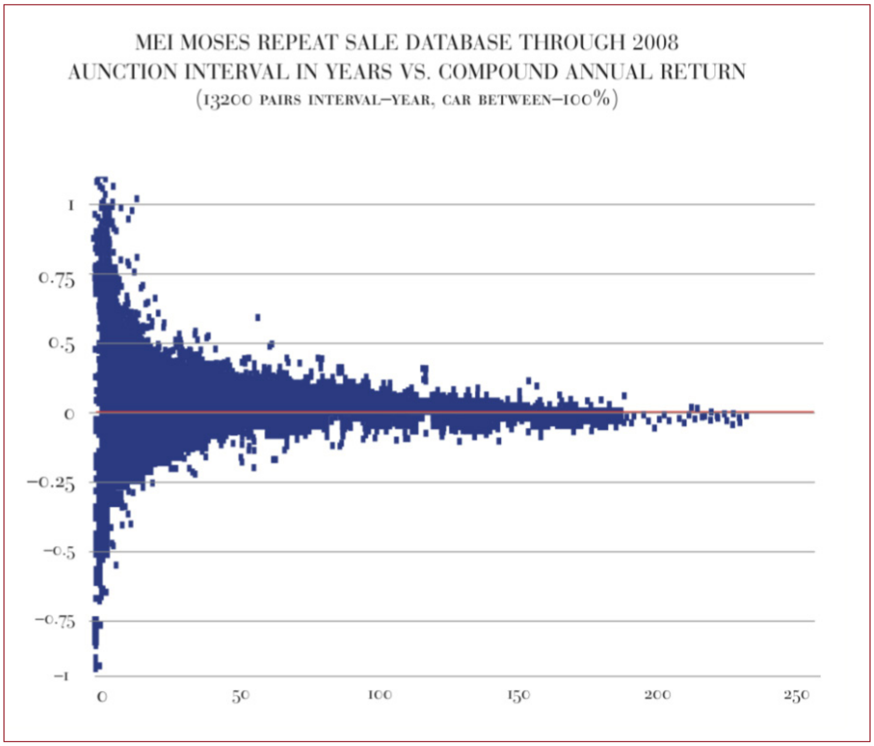


These two portfolios offer similar returns over a 50 year period. The portfolio with art has between 10-20% lower risk than the one without art, depending on the expected return. Investors should allocate 10-20% in art. Source: Mei Moses® Archives.

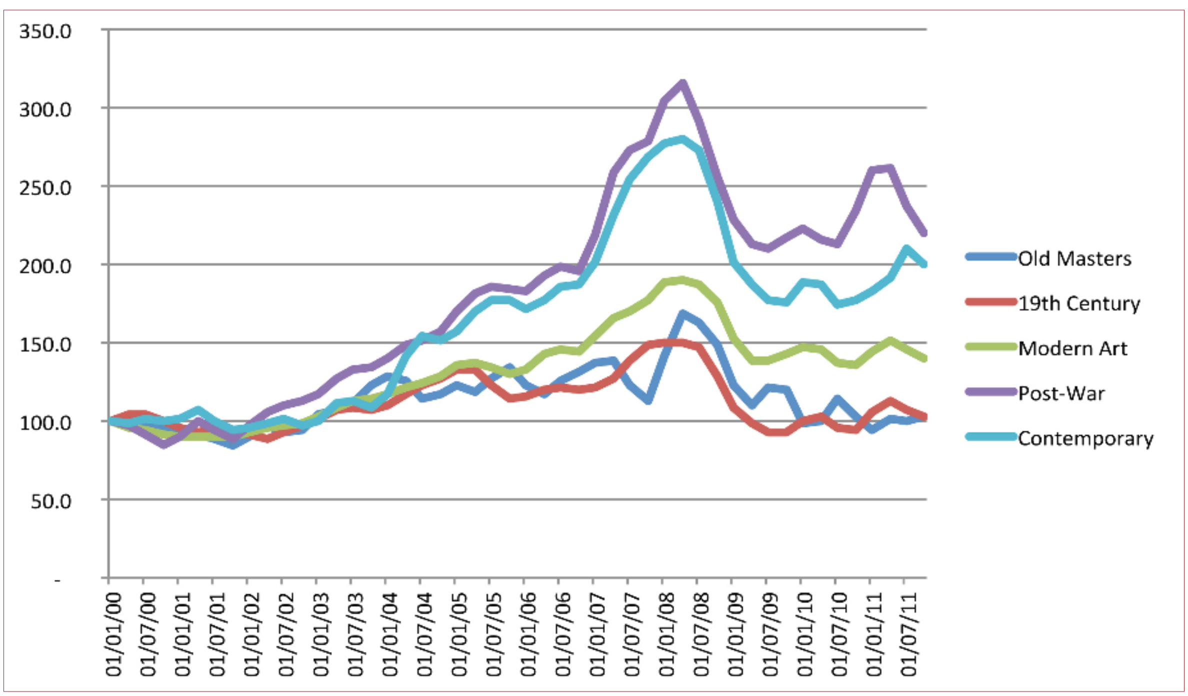


Over a fifty year period, the art index has outperformed the S&P 500, while stocks have performed similarity to the art index, reaching a CAR (Cummulative Average Return) of 9.23% compared to 9.73% of shares. Source: Mei Moses® Archives.

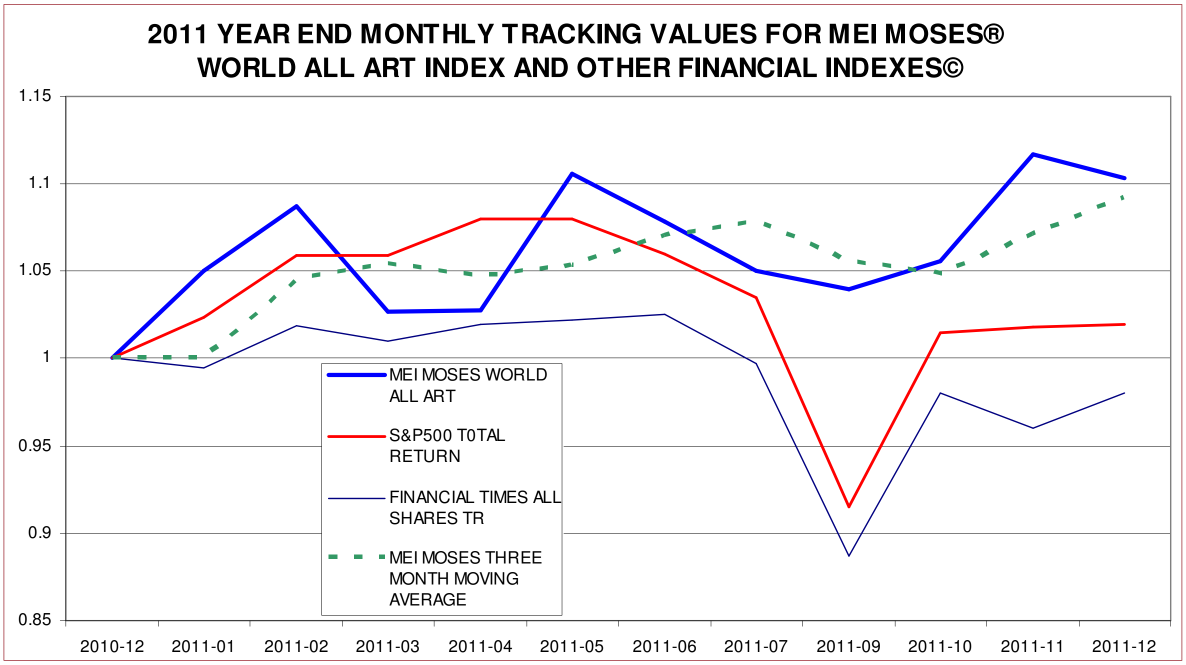
The indices are referred to only because they represent indices typically used to gauge performance of securities markets and the art market. The use of these indices are not meant to be indicative of the asset composition or volatility of the Artemundi Global Fund Ltd.



Auction Interval in Years vs. Compound Annual Return. This graph clearly shows that the shorter the time an asset is held, the more volatile it is in comparison to a longer period of time. In addition, the analysis also shows that the risk is also less over the longer term without affecting the return. The red tendency line is essentially flat. Source: Mei Moses® Archives.



Art Index by categories. This graph shows that the highest returns and also the higher volatility is to the Contemporary & Post-War art periods. Data source: Art price indexes for 2000-2011, calculated by ArtPrice using hedonic prices methodology .



Art and other indexes monthly. Art continues to outperform equities. The All Art Index resulted with a 10.2% growth in 2011. This graph shows how the Art Index has done in 2011 in comparison to the SP500 Total Return Index and the Stocks. The Mei-Moses Art Index showed less volatility and higher return. The risk associated to the Mei Moses All Art index is also less than the S&P500 total return index. Source: Mei Moses® Archives.

In contrast to the volatile results of the stock and bond markets in recent years, the significance of art investments is best exemplified through the following fifteen principles: (1) the noteworthy appreciation in the value of artwork over time. In the last fifty years the returns in art achieved a CAR of 9.23% compared to the 9.73% for equities (2) the quantitative assessment that art is a real & tangible asset, it can be appraised in a manner like Real Estate by comparable analysis, (3) it plays a major role in risk-return reduction when included in an investment portfolio, (4) it can be an important hedged against inflation and currency fluctuations, (5) the lack of correlation art has to the behavior of the stock markets, (6) the impossibility of a collective panic situation within the art market, as opposed to stocks that can suffer from a double digit decline in a single session, (7) the lack of regulation within the art market produces arbitrage opportunities, (8) the low cost of maintenance that art has, (9) its tax advantages, it appreciates tax free and does not incur property taxes like real estate, (10) it can be used for asset protection, (11) portability, (12) the globalization of the art market makes it internationally marketable, (13) improves the quality of social life, (14) the emotional, aesthetic and intellectual experience, (15) the attractive patrimony and legacy component. Acoordingly art is very beneficial in the diversification of investment portfolios.

The historical lack of indexes for illiquid assets explains why wealth managers often have chosen to exclude these assets when working up an optimal asset allocation... Wealth managers for high-net worth individuals needs to accommodate clients's art collections. Wealth managers should be compensated with fees based on revised allocations or total assets under management when art is included as an asset class.