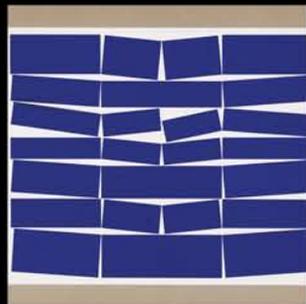
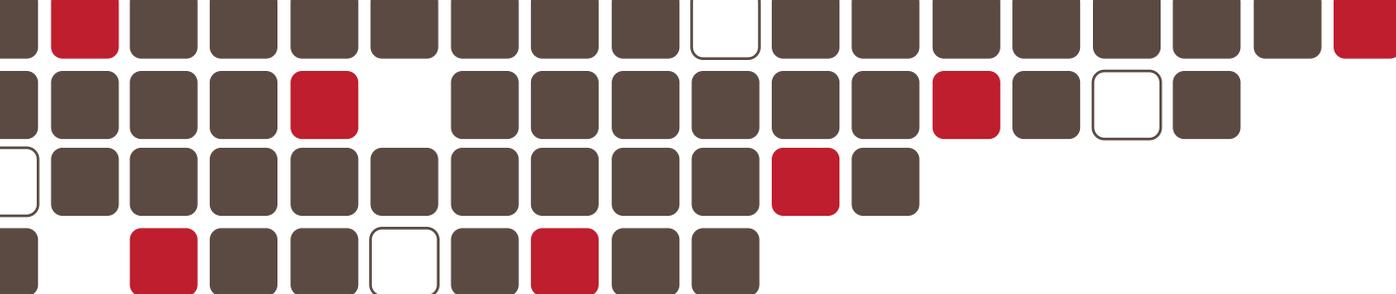
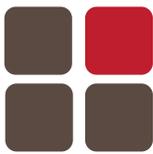


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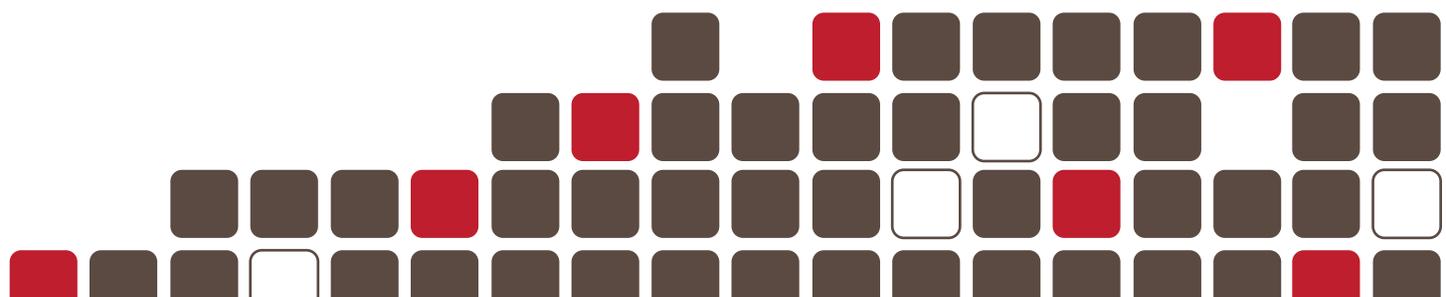


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*“Nowadays people know the price of everything and the value of nothing.”*

- Oscar Wilde



# Contents

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Forward: Collecting and Investing: Modern and Contemporary Art.....	4
Introduction.....	6
Art: An alternative Asset Class – Investing or Collecting? .....	10
The Art of Alternative Investment .....	12
Art Market Metrics .....	14
The Outlook for 2011 .....	15
Artist Profile - Carla Arocha / Stéphane Schraenen.....	18
What is Latin American Art? .....	22
A region overlooked .....	26
Top Fairs for Latin American Art .....	28
The Region’s Art Hotspots .....	32
A Market on the Rise .....	34
Steady as she goes .....	36
Skate’s Top Latin American Artists .....	37
Top Places to See Latin American Art .....	40

# Collecting and Investing: Modern and Contemporary Art

*Museums and their publics owe an enormous debt to collectors who possessed the vision, enthusiasm, and resources to assemble and share their art collections in public institutions and private galleries. Whether they have been successful executives or persons of considerably more modest means, the common denominators among collectors are intellectual curiosity and passion. They define value in dual terms – cultural and commercial – where cultural value trumps the commercial. Investors, no doubt, have an appreciation for cultural value, but their primary motivations, their intentions, are on portfolio diversification and, ultimately, return on investment (ROI).*

## ■ The Collector's Conundrums

*"Buy what you love" is probably the most common guidance offered to collectors, particularly new ones. But this well-worn advice obscures many of the realities about buying and collecting modern and contemporary art. The majority of art has limited residual commercial or cultural value. Commercially, art typically appreciates gradually, if at all, contrary to the often effusive art reportage about auction results in popular media. Moreover, art's enduring cultural value is subject to curatorial preferences and market peculiarities, including fad and fashion. The various art markets are capricious and volatile, responding reflexively to supply and demand.*

*"I know what I like" is the most frequently heard comment uttered by a new and, sometimes, even more experienced collectors. This statement generally reflects limited exposure and lack of real perspective about art, both as a cultural commodity and as a commercial one. It also underscores a dangerous myopism often inherent to art*

*collectors, who buy art without understanding it. They buy with their ears, not with their brains. As a result, it is not uncommon to see "cookie cutter" collections throughout the world that triumph "names" and "trophies".*

*"Buy informed" is the most constructive advice to any collector. Or, as the late Roy Neuberger put it, "For art to be very good it has to be over your head." A skilled collector gradually assembles a collection, investing time, energy, and money in making well-informed decisions, rather than costly mistakes. Popular books about collecting can provide meaningful insight about various market channels and expectations, but they are often incomplete "how-to" books, neglecting subjects like transaction and holding costs, as well as tax and philanthropic issues. Likewise, many collectors mistakenly purchase on-line art price databases and, only to discover that they are generally redundant and almost always reflect just auction house results. This is a skewed view of the market, which exaggerates real market prices and does not account for the sometimes significant transaction and ownership costs (insurance, framing, warehousing, and shipping) of art.*

*Genuine collectors gather and absorb knowledge about artists' careers and works which sometimes rivals or surpasses curators and auction specialists. And they understand and use the variety of market channels and expertise available to them – galleries, advisors, auctions, private sales, and art fairs – to build, expand, or modify their collections.*

## ■ The Investor's Intentions

*Truly successful art investors and art funds are a rare breed, far outnumbered by collectors. In June 2009, Forbes identified 14 billionaires*

*whose individual collections were valued in excess of \$700 million. Few investors have created financial portfolios of equal or greater value. Art investors and art funds typically specialize in a handful of artists and are not broad generalists. (The Mugar family, for one, unquestionably holds the largest holdings of Andy Warhol's in the world, effectively cornering the market.) Whether operating as individual speculators, or buying through investment partnerships, art investors take a calculated risk that the works they purchase will appreciate financially and quickly, usually in the auction arena, within a 5- to 10-year time frame. In an overheated market like the one that ended in 2008, appreciation accelerated at a blinding pace. There are actually very few art investors and partnerships with better-than-market track records. Like collectors,*

*investors typically retain expertise from gallerists, reputable art advisors, and auction house specialists in making purchase and sale decisions. While investors also rely on Internet resources for price comparisons, they have deep knowledge – usually about a limited number of artists – similar to that of a portfolio specialist. Risk avoidance and ROI are the primary criteria used by art investors, although many portray themselves as collectors. As market results reveal, not all works by Picasso and Warhol are equally desirable or make sound investments. Prolific artists, like Picasso and Botero, made tens of thousands of works in all media, the majority of which are not market leaders. Art investment is a specialized field, where risk and ROI must be carefully balanced with supply, demand, and value over time.*

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