

# Skate's Art Market Research

155 E. 56<sup>th</sup> St., New York, NY 10022 USA /phone: +1.212.514.6010 /fax: +1.212.514.6037

## Skate's Art Investment Review

### Monthly Art Investment Ideas from Skate's Art Market Research

April 2011

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## Skate's Top 5000 Entries in March

Artist	Title	Year	Medium	Size, cm.	Auction House	Auction Date	Estimate	Purchase Price
Kano Naizen	Southern barbarians come to trade (pair in 12 parts)	-	Ink, color and gold on paper	160x360.4	Christie's	23-Mar-11	0	4,786,500
Tyeb Mehta	Bull (diptych)	2005-2007	Acrylic on canvas	198x152.4	Christie's	23-Mar-11	0	2,826,500
Giovanni Giacometti	Sotto il sambuco (Unter dem Holunder)	1911	Oil on canvas	76x85.5	Christie's	21-Mar-11	1,999,440 - 2,777,000	2,132,736
Anonymous-Chinese (Qing Dynasty)	Siege of Pingyu	-	Ink and color on paper	309.9x137.1	Sotheby's	23-Mar-11	800,000-1,200,000	1,986,500

## Overview of the Chinese Market in 2010

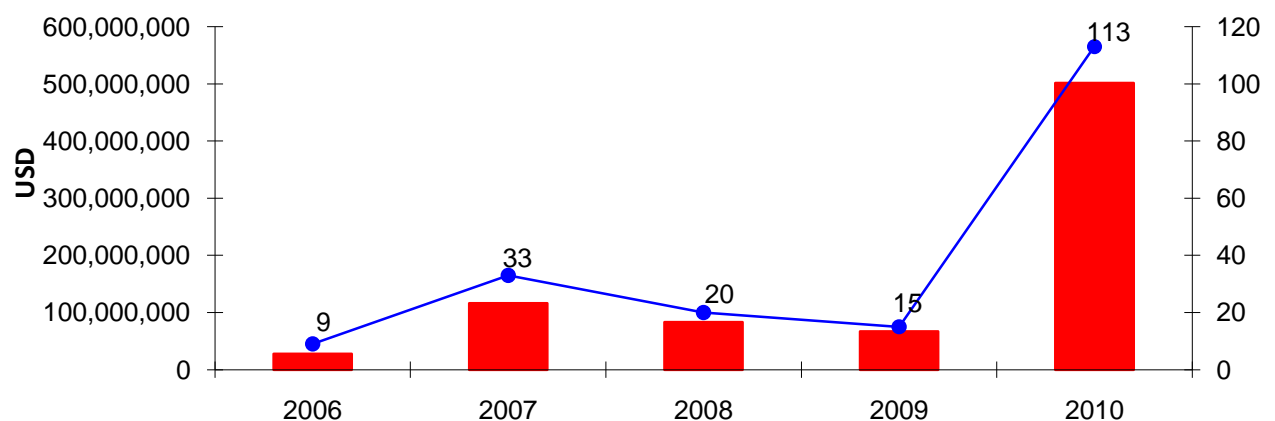
In 2010, the global art market saw the rise of a new, active and strong player – China, a country that has challenged the traditional authority of major market leaders, such as America, Britain and France.

China's continued economic strength is encouraging wealthy people to invest in various works of art. Notably, many of them have preferred to support their country's rich cultural inheritance. Chinese collectors often become so anxious to acquire a particular work of art at auction that their bidding rivalries result in prices that significantly exceed initial estimates.

According to Skate's analysis, the Chinese market stepped confidently into the premium

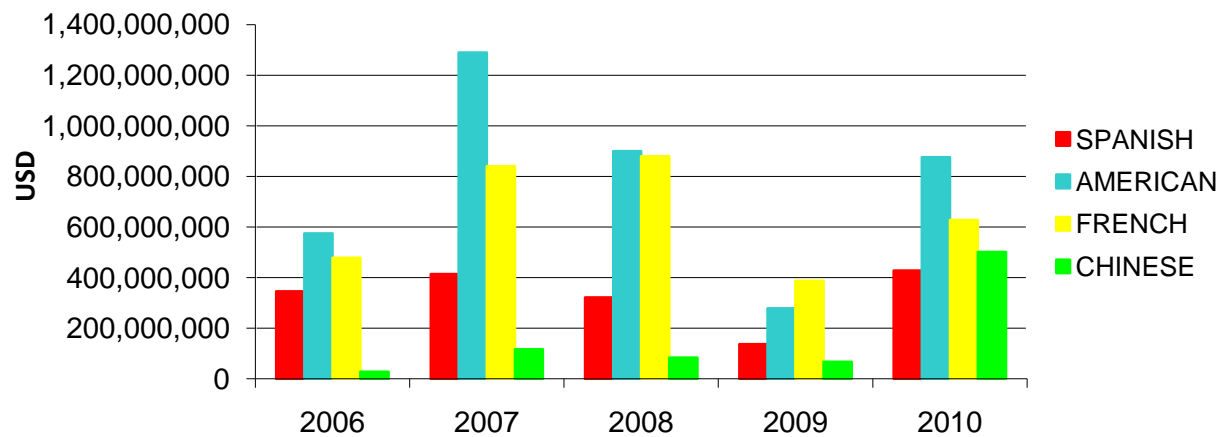
art segment in 2010, with the aggregate value of sales reaching USD 500 mln and exceeding previous results by more than seven times (see Table 1). However, this increase was not enough to overtake the positions of prominent American and French artists, who currently occupy the leading positions in terms of 2010 trading volume: \$875 mln and \$627 mln, respectively (see Table 2). Following the recent economic downturn, their artworks appreciated and set numerous auction records both in 2010 and again in February 2011. Even still, the young market for Chinese art does dominate over Spanish capitalization of \$428 mln, which is primarily represented by only one artist - Pablo Picasso.

**Table 1 - Sales Volume of Chinese Artists**



Source: Skate's Art Market Research

**Table 2 - Capitalization of Market Leaders**

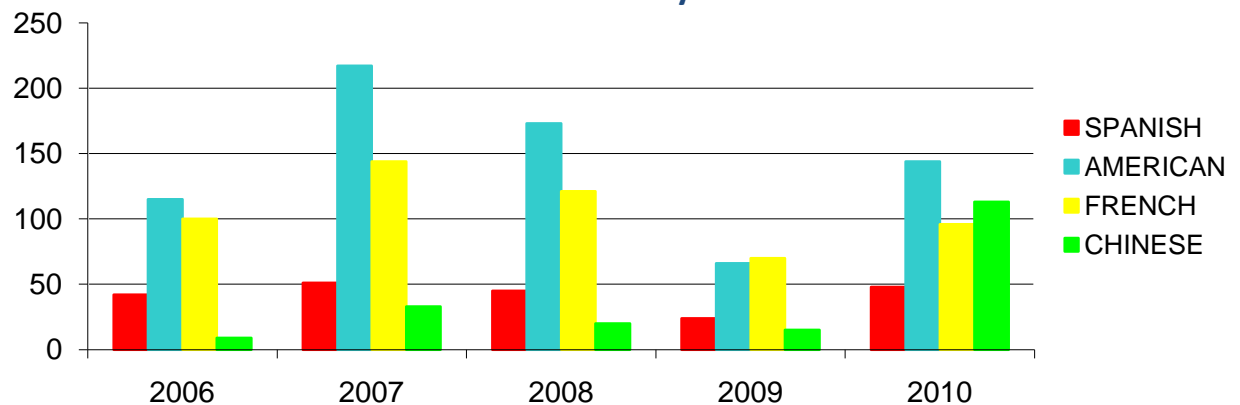


Source: Skate's Art Market Research

The market for Chinese art managed to achieve this volume only through sufficient supply rather than through the high value of individual works. We clearly see that in 2010 the quantity of artworks provided by Chinese artists soared to such a level that only American artists were able to compete on supply (see Table 3). Ninety-six artworks by French artists, 113 by Chinese artists and 144 by American artists

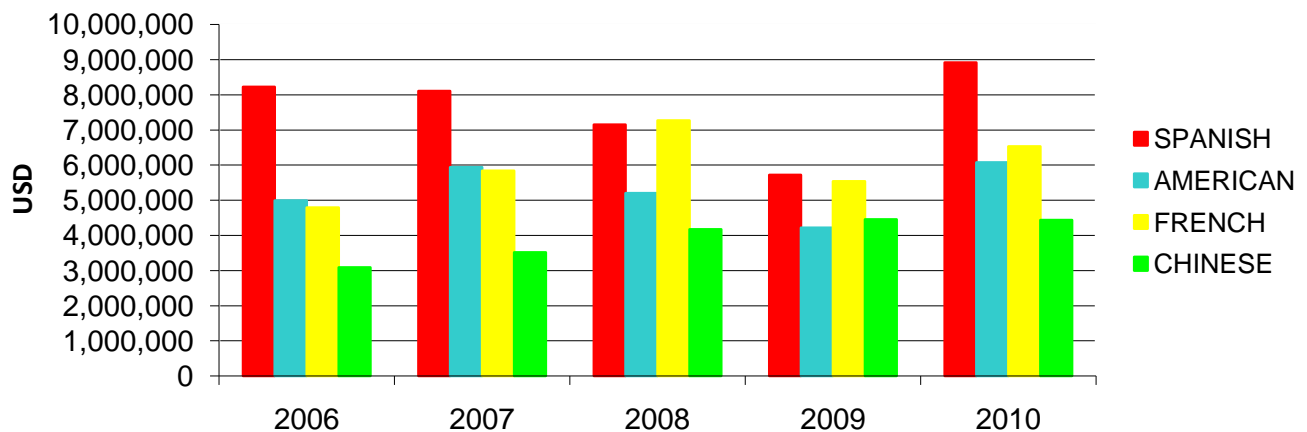
were above Skate's Top 5000 threshold price of \$1.87 mln. At the same time, however, the average price paid for Chinese artworks is the lowest among other leaders at \$4.4 mln (see Table 4). By way of comparison, the Spanish market, led by Picasso, has the highest average price at \$8.9 mln with a comparatively low number of works – 48 to be precise.

**Table 3 - Number of Works by Market Leaders**



Source: Skate's Art Market Research

**Table 4 - Average Price of Works by Market Leaders**



Source: Skate's Art Market Research

## Overview of Chinese Artists in 2010

There are several Chinese artists that were in particularly high demand last year (see Table 5). Among them was Zhang Daqian, a strong leader both in the number of works sold and trading volume achieved. The market was clearly very favorable for him in 2010; his first public repeat sale - *Temple at the mountain peak* - saw a 25% return on investment.

Apart from Zhang Daqian, it seems to be that China has its own Picasso – 14<sup>th</sup> century painter Wang Meng. Although there is nothing in common in terms of time period or style, their market performance does share some similarities. Only one Chinese work – *Landscape* by Wang Meng – to appear on the market last year sold for \$20 mln, which is the highest price paid for a Chinese painting and double what was paid for Daqian's *Fairy scattering flowers*, which was the second most expensive.

Another valuable Chinese artist that set records in 2010 was Xu Beihong. Last year his *Two Pigs* achieved an annualized effective rate of return (ERR) of 34.84%, which was the fourth best

result on the entire art market. Two other 20<sup>th</sup> Century artists, Fu Baoshi and Qi Baishi, had practically the same results. Both had 11 sales that entered Skate's rating with \$36.7 mln and \$34.9 mln of additional capitalization.

Ninety-year-old artist Zao Wou-Ki was not as active last year – his total volume was \$14.4 mln with an average price of \$2.5 mln. Nevertheless, his six sales, which in most cases exceeded the auction estimate, allow us to place him in the company of other investment-quality Chinese artists.

There are several living Chinese artists who need to be mentioned in this context. Although Yue Minjun and Zhang Xiaogang are not presented in Table 5 as record setters, they still belong to the group of best-selling artists on the global art market. Last year, Zhang Xiaogang's *Chapter of a new century - birth of the People's Republic of China II* set a new benchmark for his market: the work was sold for two times above the high estimate and now remains the artist's most expensive work ever sold at auction.

**Table 5 - Top Chinese Artists**

Artist	Number of Trades in 2010	Artist	Trading Volume in 2010	Artist	Number of Repeat Sales in 2010
Zhang Daqian	17	Zhang Daqian	76,777,326	Sanyu	1
Fu Baoshi	11	Fu Baoshi	36,975,137	Xu Beihong	1
Qi Baishi	11	Qi Baishi	34,916,853	Zao Wou-Ki	1
Xu Beihong	9	Xu Beihong	33,365,294	Zhang Daqian	1
Zao Wou-Ki	6	Wang Meng	24,711,333		

**Table 6 - Top 10 Entries in 2010**

Rank	Artist	Title	Year	Medium	Size, cm.	Auction Date	Estimate, USD	Purchase Price, USD	ERR, %	Holding Period
176	Wang Meng	Landscape	-	Ink and color on silk, on scroll	134.9x35.1	03-Jun-10	4,099,260-4,684,869	20,004,392		
433	Zhang Daqian	Fairy scattering flowers	1935	Ink and color on paper, on scroll	166.9x71.9	03-Dec-10	0	11,178,986		
531	Xu Beihong	Riding a donkey in spring	1932	Ink and color on paper, on scroll	36.6x454.9	03-Jun-10	0	9,838,225		
565	Zhang Daqian	The magical rock and mountain scenery	1981	Ink and color on silk	95x264.9	03-Dec-10	0	9,413,883		
593	Fu Baoshi	The song of the pipa player	1945	Ink and color on paper, scroll	113x66	30-Nov-10	2,575,494-5,150,988	9,027,107		
694	Zhang Daqian	The view of mount E Mei	1948	Ink and color on paper	170.4x78.5	03-Dec-10	0	8,237,148		
742	Zhang Daqian	Temple at the mountain peak	-	Ink and color on paper, scroll	-	30-Nov-10	515,098-772,648	7,873,285	25.17	14 years
901	Sanyu	Potted chrysanthemum in a blue and white jardiniere	1950 - 1959	Oil on masonite	123.5x93	27-Nov-10	0	6,865,283	12.22	4 years
939	Zhang Xiaogang	Chapter of a new century - birth of the People's Republic of China II	1992	Oil, cotton tape and b/w photocopy collage on canvas	149.4x119.4	04-Oct-10	2,706,778-2964,556	6,725,700		
1045	Zhang Daqian	Various subjects (album of 24)	1933	ink and color on paper	33x48	03-Jun-10	585,608-878,413	6,230,876		

Source: Skate's Art Market Research

## Top 5 Investment Ideas in April

Zhang Xiaogang		Zao Wou-Ki	Wu Guanzhong	
<i>Bloodline-Big Family</i>	<i>Yellow Baby</i>	<i>Abstract Landscape 27.08.91</i>	<i>Lion Groov Garden</i>	<i>Under the Great Wall</i>
				

Artist	Title	Medium	Size, cm	Estimate, USD	Sale Details	Repeat Sale	Initial Purchase Price, USD	Artist's Rank in Skate's Top 5000
Zhang Xiaogang	Bloodline-Big Family	Oil on canvas	179x229	4,489,827-5,131,231	Sotheby's 04-Apr-11	No	-	88
Zhang Xiaogang	Yellow Baby	Oil on canvas	188.5x149	640,950-897,330	Sotheby's 03-Apr-11	No	-	88
Zao Wou-Ki	Abstract Landscape 27.08.91	Oil on canvas	161x99.2	423,027-640,950	Sotheby's 04-Apr-11	No	-	87
Wu Guanzhong	Lion Groov Garden	Ink and color on paper	83.3x152.2	640,950-897,330	Sotheby's 05-Apr-11	Yes	115,749	148
Wu Guanzhong	Under the Great Wall	Oil on board	45.9x61	641,042-769,250	Sotheby's 04-Apr-11	Yes	-	148

### Zhang Xiaogang, *Bloodline-Big Family* and *Yellow Baby*

Skate's Choice #1		
Artist	Zhang Xiaogang	
Artist's Rank in Skate's Rating	88	
Title	Bloodline-Big Family	
Year of Creation	1995	
Medium	Oil on canvas	
Size, cm	179x229	
Auction House	Sotheby's	
Auction Date	04-Apr-11	
Estimate, USD	4,489,827-5,131,231	



Skate's Choice #2		
Artist	Zhang Xiaogang	
Artist's Rank in Skate's Rating	88	
Title	Yellow Baby	
Year of Creation	1996	
Medium	Oil on canvas	
Size, cm	188.5x149	
Auction House	Sotheby's	
Auction Date	03-Apr-11	
Estimate, USD	640,950- 897,330	

In April, Sotheby's will offer several works by Zhang Xiaogang, specifically five canvases from his celebrated series and five lithographs. These works are expected to generate great interest, especially those that are highlighted as premium lots.

In this analysis, we will concentrate on two items: *Bloodline-Big Family* and *Yellow Baby*. The first one, which will be offered at Sotheby's Contemporary Asian Art sale on April 4, represents the artist's most recognized and celebrated series. The catalogue note for this lot emphasizes the fact that in 1995, the artist created five works with this subject matter. Some of these works already have an auction history with pretty good results: in 2008 *Bloodline: Big Family, No. 2* was sold for \$3.4mln, and *Bloodline: The Big Family, No.3* for \$6 mln. April's *Bloodline-Big Family* is estimated quite reasonably at \$4,489,827-5,131,231. Given the recent demand for Chinese artworks and the artist's overseas popularity, this painting is expected to generate intense bidding

both from native Chinese and foreign collectors. Those buyers interested in generating a positive investment return would be advised to avoid exceeding the work's high estimate, however.


Another work by Zhang Xiaogang, *Yellow Baby*, will be presented by Sotheby's a day earlier. The topic of children has been quite popular in the artist's career, and he often depicts them in various colors –yellow, red, pink, blue. In terms of auction history, this is not his most valuable subject, however; the average price for oil portraits of children is \$491,600. With an estimate of \$640,950-897,330, the work appears to be a bit overpriced. That said, this is a special portrait, for Xiaogang depicts his own daughter in this painting – a very rare subject indeed. This fact explains the irrational premium included in the estimate. This work is expected to find a buyer at such a price, and that buyer stands a good chance of achieving a handsome return in the event of a substantial holding period.

Bloodline: The Big Family series by Zhang Xiaogang		
		
<b>Title</b>	Bloodline: Big Family, No. 2	Bloodline: The Big Family, No.3
<b>Year of Creation</b>	1995	1995
<b>Medium</b>	Oil on canvas	Oil on canvas
<b>Size, cm</b>	457.2x584.2	179x229
<b>Auction Date</b>	Christie's, 29 Nov 2008	Sotheby's, 08-Apr-08
<b>Premium Price, USD</b>	3,406,263	6,081,987

Source: Skate's Art Market Research

Skate's Top 5000 Peer Group for Baby Portraits by Zhang Xiaogang					Peer Group Criteria	
						
<b>Title</b>	Bloodline Series: Pink baby	Bloodline Series: Red Baby	Bloodline Series: Yellow Baby	Baby Boy with Red Face	<b>Minimum Price, USD</b>	153,944
<b>Year of Creation</b>	1998	1997	1997	1995	<b>Maximum Price, USD</b>	1,628,353
<b>Medium</b>	Oil on canvas	Oil on canvas	Oil on canvas	Oil on canvas	<b>Average Price, USD</b>	491,586
<b>Size, cm</b>	130x100	40x30	129x100	68 x48		
<b>Auction Date</b>	Sotheby's, 01-Mar-07	Sotheby's, 21-Mar-07	Sotheby's, 21-Mar-07	Christie's, 24-May-08	<b>Irrational Premium, %</b>	82.5
<b>Premium Price, USD</b>	540,000	222,000	456,000	1,628,353		

### Zao Wou-Ki, *Abstract Landscape 27.08.91*

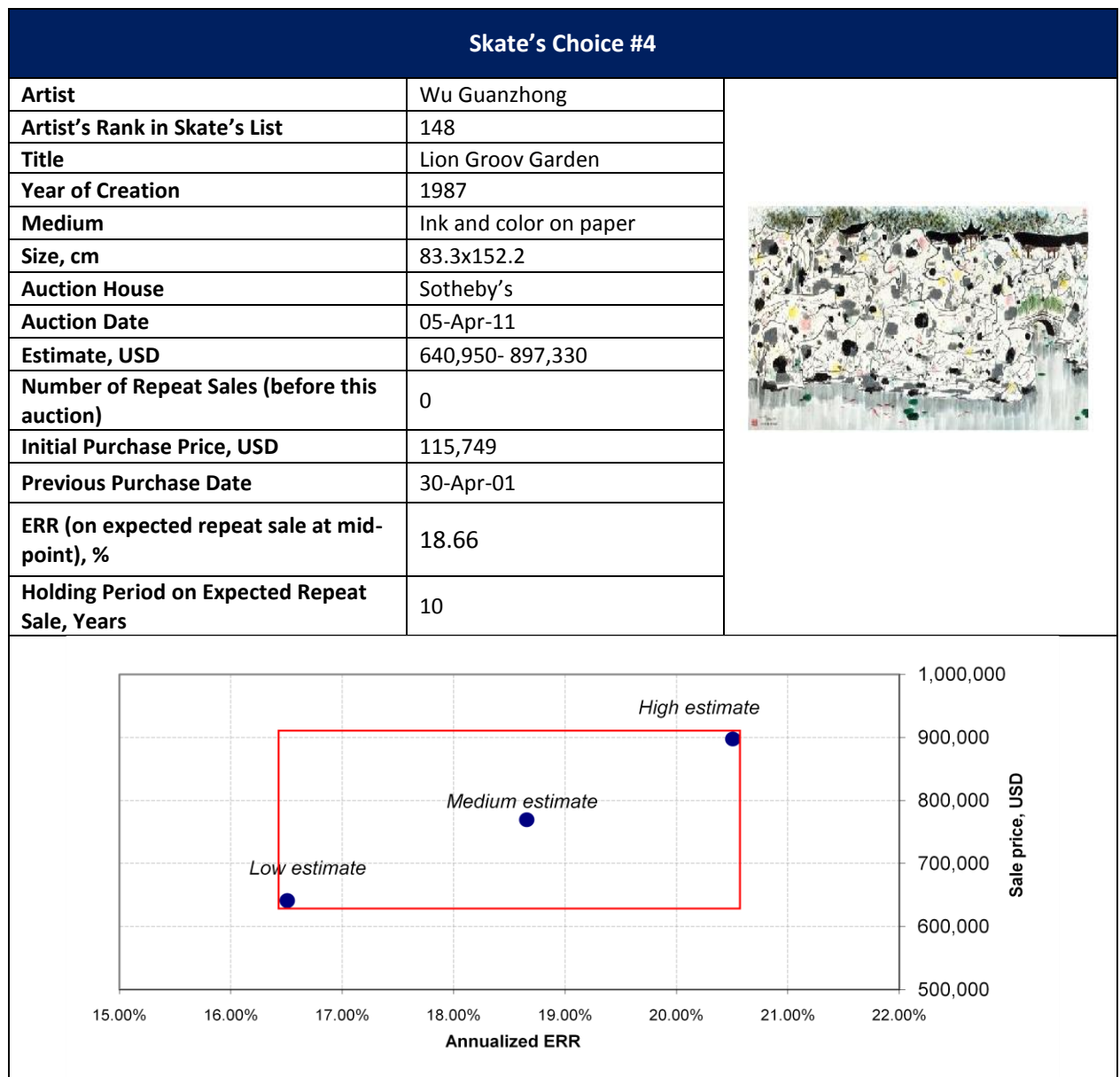
Skate's Choice #3		
<b>Artist</b>	Zao Wou-Ki	
<b>Artist's Rank in Skate's Rating</b>	87	
<b>Title</b>	Abstract Landscape 27.08.91	
<b>Year of Creation</b>	1991	
<b>Medium</b>	Oil on canvas	
<b>Size, cm</b>	161x99.2	
<b>Auction House</b>	Sotheby's	
<b>Auction Date</b>	4-Apr-11	
<b>Estimate, USD</b>	423,027- 640,950	




Another living artist, Zao Wou-Ki, stands one place higher than Zhang Xiaogang in Skate's rating. He has 20 works with total value of \$54.8 mln, most of which were created during the early period of the artist's career. Among his works to be traded in April, the most interesting one is offered by Sotheby's sale of 20th Century Chinese Art. Although *Abstract Landscape*

27.08.91 was created only in 1991, the artist's later works are likely to appreciate and become as valuable as those he produced earlier. Therefore, this landscape painting, with its modest estimate, offers a decent chance of producing a good return for its owner in the future.

### Wu Guanzhong, *Lion Groov Garden and Under the Great Wall*



Skate's Choice #5		
Artist	Wu Guanzhong	
Artist's Rank in Skate's Rating	148	
Title	Under the Great Wall	
Year of Creation	1974	
Medium	Oil on board	
Size, cm	45.9x61	
Auction House	Sotheby's	
Auction Date	04-Apr-11	
Estimate, USD	641,042-769,250	

Last year, the Chinese art scene lost one of its most celebrated abstract artists, Wu Guanzhong. Throughout the life he created paintings using a signature technique of ink and oil combination. In this style he produced various works depicting landscapes, scenes of nature and animals.

Among those to be offered in April we are particularly interested in two paintings: *The Lion Groov Garden* and *Under the Great Wall*. *The Lion Groov Garden* is a very rare repeat sale. Also, this is going to be the first public repeat sale for the artist. With a holding period of ten years, it is expected to yield a return of 18.66% to its owner if sold at mid-point of the estimate range. This is quite aggressive pricing for an artist with such a young market: Skate's Top 5000 has only seven works by Guanzhong, four of which entered the rating only last year.

However, if the work sells as expected, it will introduce new healthy benchmark for the artist.

Another work painted on board depicts a recognizable subject matter for the artist – the mountain. *Under the Great Wall* also depicts the symbol of the entire Chinese nation and its proud creation that currently attracts tourists from all over the world. Given the artist's market performance in 2010, Sotheby's has set a very modest estimate for this work: \$641,042-769,250. Last year, Skate's rating saw the addition of two works by the artist with Lao and Kilimanjaro Mountains. There were also other works on board with lower prices, such as *Pine of Mountain Huang* for \$548,001 and *Mountain bamboo* for \$528,425. Even if *Under the Great Wall* does not reach the threshold price this time, it will leave plenty of room for further appreciation.

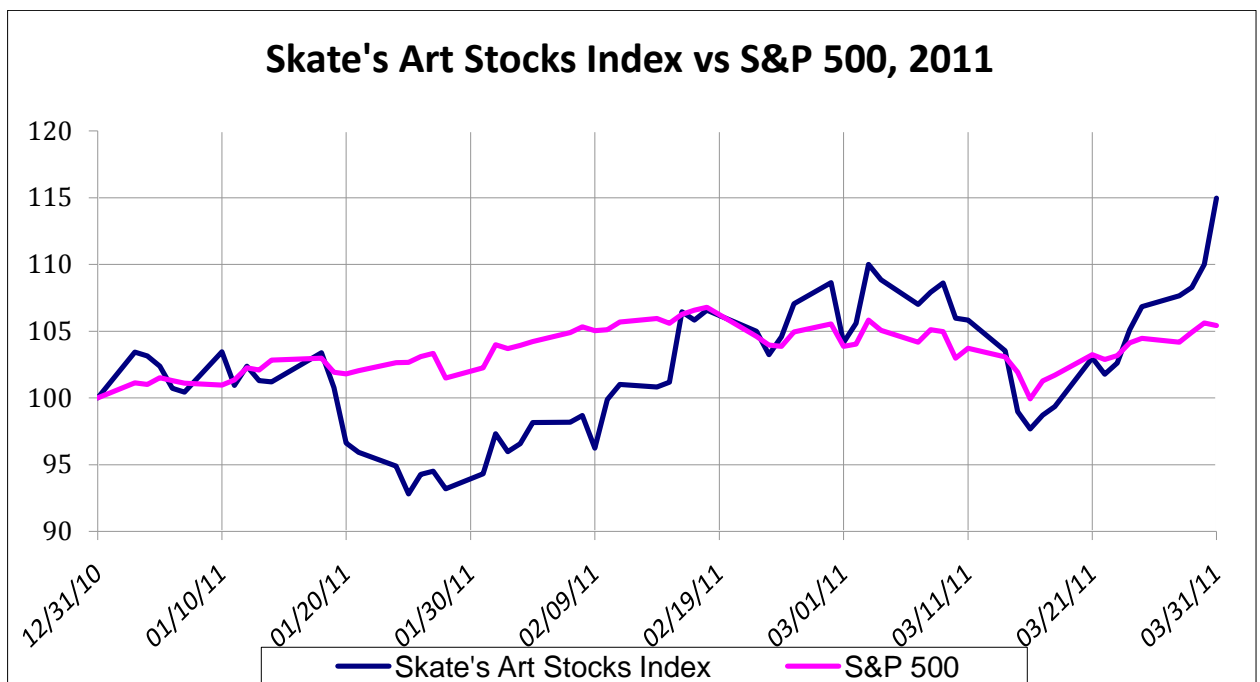
## Skate's Art Stocks Index

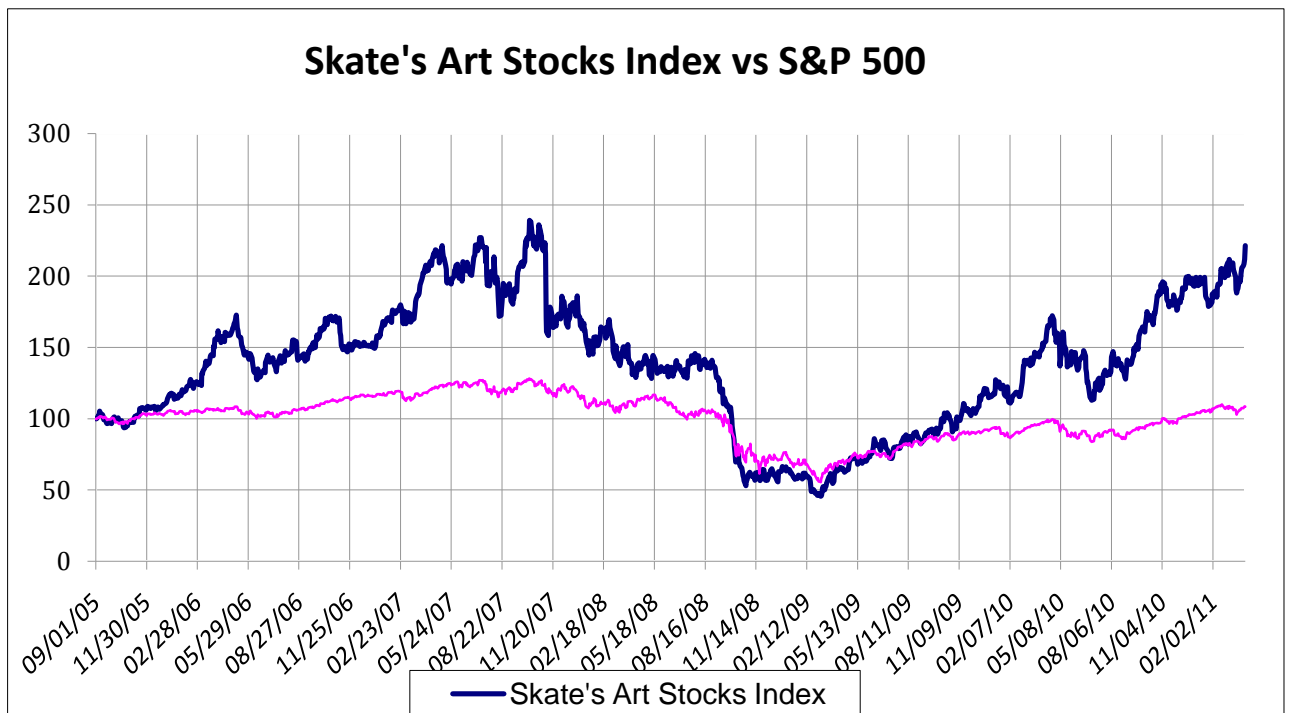
### Skate's Art Stocks

All Values are in USD

Name	Listing/ Currency	March 2011 Performance	YTD 2011 Performance	Price as of March 31 2011, \$	Market Cap as of March 28 2011, USD mln	52-wk High, USD	52-wk Low, USD
Sotheby's	NYSE/ USD	6.9%	16.9%	52.60	3527.62	52.95	22.06
Artprice	Paris/ EUR	-4.8%	-3.3%	11.48	73.42	15.70	9.00
Artnet	Frankfurt/ EUR	-1.8%	3.7%	7.31	41.17	7.58	5.87
Collectors' Universe	NASDAQ/USD	2.3%	1.7%	14.14	111.00	17.03	11.01
Mallett	London/ GBP	-1.9%	11.7%	1.17	16.09	1.24	0.90
Camera Work	Frankfurt/ EUR	14.1%	25.8%	7 085.00	283.40	7 875.60	5 256.71
Art Vivant	Tokyo/JPY	-15.8%	-11.1%	2.65	40.98	3.16	2.09
Seoul Auctions	Seoul/ WON	4.3%	-10.4%	3.68	61.41	4.81	2.87
Shinwa Art Auction	Tokyo/JPY	-21.9%	24.7%	471.90	27.37	1 028.46	216.00
Stanley Gibbons	London/ GBP	-6.8%	-1.1%	2.53	63.58	3.03	1.88
MCH Group	Zurich/CHF	2.3%	7.6%	54.55	262.11	55.62	38.08
<b>Skate's Art Stocks Index</b>		<b>5.8%</b>	<b>15.0%</b>	<b>221.4</b>	<b>4508.2</b>	<b>221.4</b>	<b>112.9</b>

Source: Skate's Art Market Research





**For continuous updates on Skate's Art Stock Index and its constituent companies, please visit**  
<http://www.skatepress.com/index.php?cat=2>

#### **Art Basel Operator Sees 30% Revenue Increase for 2010**

MCH Group, the global art industry's second largest public company after Sotheby's, reported its 2010 financial results in March. In line with the industry's robust performance globally, the Swiss exhibition operator reported a 30% increase in sales (growing to CHF 368 million in 2010) and a 28% increase in EBITDA. The EBITDA margin remained at an impressive 21% level. Classified as an art industry stock by Skate's because of its Art Basel and Art Basel Miami Beach events, MCH Group has benefited from continued growth in the art market during 2010. In its annual disclosure, the company reported, *"Art Basel and Art Basel Miami Beach ran in a highly gratifying manner, demonstrating their key importance as industry platforms."*

MCH Group remains fairly laconic with its disclosures, which makes it difficult to infer any

specific trends apart from a consistently profitable business model and a product mix that continues to see the exhibitions segment contributing to more than 70% of the group's sales. MCH Group continues to invest heavily in expanding its home exhibition market in Switzerland. In 2010, it directed CHF 98.6 million in capital expenditures (CHF 22.7 million in 2009) to a number of projects, including construction of new convention centers. It remains to be seen whether the company's massive bet on its ability to grow the exhibition and shows sector will pay back with continued impressive top line growth or whether it will simply become a real estate investment and thus freeze MCH Group's capital without translating into adequate growth.

MCH Group will hold its annual shareholders' meeting on May 13, 2011 and is expected to announce the dividend at that time.

## MCH Group, 2010 Financials

<b>Group Income Statement</b> <i>in CHF million</i>	<b>2010</b>	<b>%/Income</b>	<b>2009</b>	<b>%/Income</b>
<b>Income</b>	<b>368.3</b>	100.0	283.2	100.0
MCH Exhibitions		72.0		73.0
MCH Infrastructure		8.1		7.7
MCH Event Services		19.9		19.3
<b>Group profit</b>	<b>37.4</b>	10.2	19.9	7.0
<b>EBITDA</b>	<b>78.3</b>	21.3	61.1	21.6
<b>EBIT</b>	<b>41.4</b>	11.2	24.2	8.5
<b>Cash-flow</b>	<b>74.4</b>	20.2	57.0	20.1
 <b>Group Balance Sheet</b> <i>in CHF million</i>	 <b>31.12.2010</b>	 %	 <b>31.12.2009</b>	 %
Current assets	213.0	33.0	164.2	30.4
Non-current assets	432.3	67.0	376.8	69.6
<b>Assets</b>	<b>645.3</b>	100.0	541.0	100.0
Liabilities	392.7	60.9	317.1	58.6
Shareholders' equity	252.6	39.1	223.9	41.4
<b>Liabilities and shareholders' equity</b>	<b>645.3</b>	100.0	541.0	100.0

Source: Skate's Art Market Research, MCH Group disclosure

### Executive Pay at Sotheby's

As Sotheby's prepares to hold its annual shareholders' meeting ("AGM") on May 5, it has filed its proxy statement (Form 14A DEF) with the US SEC to advise its shareholders on the AGM agenda and the board voting choices. Shareholders recorded in the company's register as of March 11, 2011 are eligible to vote at the AGM. Two out of five agenda items are dedicated to executive compensation issues, a topic consistently covered as an area of concern in Skate's latest Sotheby's focused publications. We have prepared this note to analyze executive compensation plans developed by the company's management and board.

First, we would like to look closer into the composition of the board. Sotheby's is now proposing to extend its board of directors from 12 to 13 by nominating two new individuals to the board. Robin Woodhead, the only other

management representative on the board (in addition to William Ruprecht) has decided not to stand for nomination but will remain in management in his current capacity as Executive Vice President / Chairman of Sotheby's International.

Two new faces in the list of nominated directors are Daniel Meyer and Marsha Simms. Daniel Meyer (53) is the President of the Union Square Hospitality Group (whose restaurants include Union Square Café, Eleven Madison Park, Gramercy Tavern, Tabla and The Modern) and a director of OpenTable.com. If elected, he will become the second youngest board member at Sotheby's. Marsha Simms (58) will be the first black director of Sotheby's; last year she retired from her partnership role in the law firm Weil, Gotshal & Manges LLP, a firm that has handled significant work on Sotheby's finance and restructuring operations in the past. Should these changes to the board go in effect at the May 5 meeting, they will mark the largest

overhaul of Sotheby's board since 2007 when two new directors were also elected (between 2007 and 2011 there was only one new director elected, James Murdoch, who joined in 2010 and at the age of 38 remains by far the youngest board member at the firm).

Sotheby's executive team remains the same dozen individuals who led the firm in 2010, with only three individuals below the age of 50; Maarten ten Holder (40), Managing Director of Sotheby's Americas, is the youngest of them all.

Regarding executive pay, compensation issues seem to have been at the center of the board's attention in 2010. The board of directors held only five meetings during the year, and the audit committee convened only four times. The compensation committee, on the other hand, held a total of eight meetings. What follows is a direct quote from Sotheby's disclosure that sums up nicely how, and based on what priorities, the compensation related matters are prepared at the firm and brought to the committee and board for approval:

*"In addition to the Compensation Committee, the Company's President and Chief Executive Officer, William F. Ruprecht, plays a role in recommending and determining the compensation of senior executives, including that of the other Named Executive Officers in this proxy statement. In addition, the Company's Executive Vice President and Worldwide Head of Human Resources, Susan Alexander, makes recommendations regarding senior executive compensation as requested by the Compensation Committee <...> Since 2007, the Compensation Committee has retained the independent compensation consulting firm, Semler Brossy Consulting Group, LLC, or Semler, as its primary independent advisor. Initially, Semler was retained to analyze the Company's incentive compensation programs and to recommend structural changes to these programs based on its analysis. In 2007, Semler designed a contemporary incentive program for the Company's executives with an increased emphasis on variable pay and in 2009, Semler advised the committee on the design of a Performance Share Unit program for senior*

*executives. <...> In 2010, Semler's work focused on advising the Compensation Committee regarding Mr. Ruprecht's new employment arrangement with the Company."*

Clearly, a lot of effort went into designing and approving the incentive structure at Sotheby's. Sotheby's now identifies twelve of its managers as Executive Officers, but for executive pay purposes created a narrower elite cast of Named Executive Officers ("NEO") that includes just five people defined as the CEO, CFO and the three other highest paid executives. The net result of this very scientific exercise made by the board's compensation committee and its advisors is that for 2010 those five individuals (NEOs) received over \$15 mln in total compensation, 2.25 times more than in 2009 (salaries at Sotheby's otherwise remained largely unchanged). Bill Ruprecht alone collected \$6 mln, or 2.5 times above the level of 2009.

Sotheby's five NEOs (William F. Ruprecht, President & Chief Executive Officer; William S. Sheridan, Executive Vice President & Chief Financial Officer; Bruno Vinciguerra, Executive Vice President & Chief Operating Officer; Kevin Ching, Chief Executive Officer, Sotheby's Asia; and Robin Woodhead, Executive Vice President & Chairman, Sotheby's International) may await the outcome of Sotheby's AGM on May 5 with little anxiety, as one of the agenda items is whether Sotheby's will hold an advisory shareholder vote regarding NEO compensation not every year or every two years but every three years. Sotheby's is recommending that future executive compensation advisory shareholder votes occur every three years.

### **Collective Investment Vehicles Specialize on Investing in Photographic Assets**

In late 2010 and early 2011, two new players have entered the art photography market as institutional buyers – the Russia-domiciled Sobranie Fotoeffect fund and the Swiss-

managed and Malta-domiciled Fine Art Investment Fund (FAIF).

The Russian fund is essentially a product of securitizing recognized photographic collections including historical archives of more than 250 remarkable masters of photography. Among them are almost all of the official Soviet-era photographers like Rodchenko, Baltermans, Zelma and other famous professionals, including those such as Fenton, Prangey and many others. With over 200,000 units of individual photographs and 300,000 negatives, this is the world's largest art fund in terms of net asset value today (approximately \$ 0.5 bln at inception).

The second largest is the Berlin-based CameraWork, an investment company listed on the German stock exchange and a constituent of Skate's Art Stock Index since 2005.

To insure comprehensive and transparent evaluation of the Fund's art assets, Agana uses the services of three independent assessment companies: French SARL CEROS Librairie Serge Plantureux, American Master Piece Fine Art

Appraisals and Russian Art Consulting, which compare and consolidate all the appraisals.

In the near future, Sobranie FotoEffect is planning to exhibit its art assets in major museums around the world, as well as in local Russian galleries. In addition, the fund is planning to participate in leading auctions and as a result conduct reassessment of its assets. Finally, Agana is planning to list fund's units on the Russian stock exchange MICEX.

The Swiss fund is looking into new contemporary art and is very opportunistic with its art investment strategy. Much smaller in size than the Russian fund, the FAIF is very transparent about its investment strategy and is advised by seasoned art market professionals from the Loubna Fine Art Society.

A quick overview of the world's four largest collective investment vehicles open to outside investors and specialized on art photography as investment asset is provided below. For Skate's detailed review of each fund and their prospectuses, please contact Skate's at [skate@skatepress.com](mailto:skate@skatepress.com).



Company	Sobranie FotoEffect	Art Photography Fund	PFF - Fine Art Invest Fund	Camera Work
Structure	Closed-end Mutual Investment Fund	Open-end Investment Company	Open-end fund promoted to Qualifying Investors	Public investment company
Foundation Period	27.11.2010 – 27.02.2011	Unlimited	Unlimited	Unlimited
Inception date	27.02.2011	15.03.2008	03.11.2010	2001
Domicile	Russian Federation	Cayman Islands	Malta	Germany
Registration	1985 – 94173534	KYG050821050	MT7000001251	DE0006771504
Managing company	“Agana”, Moscow	Geneva Ross, Zurich	PMG Fonds	CameraWork
Currency	RUB	EUR	CHF	EUR
Min investment	RUB 500,000	EUR 70,000	EUR 100,000	None specified
NAV per share	RUB 499,851	EUR 13.24*	CHF 105.93	EUR 4,750
NAV	RUB 14,060,419,657	None specified	CHF 1,711,174	EUR 183,470,000
Number of shares	28, 129	None specified	16,153	38,625
Auditor	RCB Delovaya Perspektiva"	BDO	Busuttil & Micallef	-
Management Fee	1.5%	2%	2%	n.a.
Other expenses	10%	3%	0.4%	
Incentive fee	1%	20%	20% over the 10% hurdle rate	n.a.
Depository company	“Infinitum”	UBS Zurich	Swiss Private Bank / Swissquote Bank SA	-
Insurance	“Sogaz”	-	Allianz Art Versicherung AG	-

*\*official NAV prices are calculated on a quarterly basis, monthly NAV prices are estimates only*

*Source: Skate’s Art Market Research*

### Atlanta Art Fund Participates in MICEX Trading

In 2010, the Managing Company Atlanta introduced its new investment product Atlanta Art - the first Russian closed-end fund that specializes in art asset investments. It has recently come up with another innovation: on March 30, Atlanta listed shares of its fund on

the Russian stock exchange MICEX. The price of one unit was RUB 492,655.24. The total number of investment units is 266,518, and the trading code is RU000A0JRA16, ISIN – RU000A0JRA16.

To learn more about Atlanta Art Fund, please visit [www.skatepress.com](http://www.skatepress.com).



## About this Newsletter and the Data Used

Welcome to the April issue of Skate's Art Investment Review. As always, our coverage is focused on the universe of 635 global artists whose artworks are represented in Skate's Top 5000 database, which is comprised of the world's most valuable art according to auction prices. To learn more about Skate's Top 5000 and the artworks and artists represented, please visit [www.skatepress.com](http://www.skatepress.com).

In this issue of Skate's Art Investment Review we focus on the most important March results as well as on the major upcoming April Sotheby's auctions:

- Sotheby's, 20th Century Chinese Art, April 4, 2011
- Sotheby's, Contemporary Asian Art, April 4, 2011
- Sotheby's The Ullens Collection - The Nascence of Avant Garde China, April 3, 2011
- Sotheby's Fine Chinese Paintings, April 5, 2011

Our top investment picks have been chosen based on the following criteria:

- The artist is classified by Skate's as a "Blue-chip" artist, which means that they have both outstanding liquidity (i.e., more than 20 works included in Skate's Top 5000, and significant market capitalization in Skate's Top 5000 (a combined market value of more than \$100 mln for works included in Skate's Top 5000)
- An investment rating of the artwork equal to or greater than BB- (for detailed investment reports on any of the artworks covered in this newsletter please order Skate's Artwork Background Report by calling +1.212.514.6010)
- Favorable price and liquidity trends in the market today, including a steady demand for the artist's works over the last 24 months
- A track record of positive investment returns based on repeat sales of an artist's higher value works
- The auction house's estimate for the artwork does not significantly exceed the peer group valuation range based on auction price records for comparable artworks

When looking for art investment recommendations, we also exclude all artworks priced over \$20 million, as statistically they have virtually no chance of yielding positive investment returns for buyers who go above this price threshold. Skate's also excludes all artworks priced below \$100,000, as investable art requires significant due diligence and ownership expenses, and it is not economically feasible to conduct relatively expensive research and administration for lower value works. Our recommendations are focused on works of art that have a strong chance of yielding annual returns (after auction commissions are accounted for, but before ownership costs and taxes) in excess of the threshold weighted average effective rate of return (ERR), which is calculated from the repeat sales calculated in Skate's Top 5000 (for details on this calculation, please visit [www.skatepress.com](http://www.skatepress.com)). As of April 1, 2011, the Skate's Top 5000 Weighted Average ERR benchmark stands at **4.28%** per annum (in USD terms).