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Art is increasingly seen these days as not just a pretty picture but also as a potentially attractive investment. A variety of major banks and other outfits are looking to art not just for its aesthetic value, but also as an alternative asset class -- much like stocks, bonds and real estate. The reason: Art can juice a portfolio's returns and lower the risk.

For years, private banks, such as those run by J.P. Morgan Chase & Co., Citigroup Inc. and Bank of America Corp., have offered wealthy clients interested in art a variety of services that helped to build their collections, ranging from market research to lending against the value of a portfolio of art so that clients could buy even more art... approach art as an asset class to diversify a portfolio of investments.

Now, a growing number of art-investment funds aim to offer investors an opportunity to acquire a stake in a portfolio of artwork, much like a portfolio of stocks. Funds in the U.S., Europe and elsewhere, such as the United Kingdom's Fine Art Fund, are now raising hundreds of millions of dollars for the purpose of investing in fine art...

Also on the horizon is a so-called fund of funds created by ABN Amro Holding NV that will spread investors' dollars across several of the new art-investment funds. The Dutch banking giant expects to introduce the fund early next year, and is even considering launching its own art-investment fund. ABN Amro also recently launched an art-advisory group, like those offered by other private banks, for its high-net-worth clients.

The move to art is just another sign that investors are redeploying money away from stocks, bonds and cash accounts, and into various hard assets ranging from timberlands to works of art -- items that are so-called stores of value. Adding to its appeal, art has proved to be largely no correlated with Wall Street, meaning that prices move independently from stocks, providing a measure of balance to a portfolio.

The idea is that because the art market "is highly inefficient, there is substantial opportunity to outperform through active management of a portfolio of art," says Bruce Taub, chairman of Fernwood. "Over the long term, the financial trend is that art goes up with the economy."

By Jeff D. Opdyke, November 10, 2004



North Ranch gGalleries (NRG) – Paintings by Appointment