

Unique design for a pension trust

Art investing

The APT is a closed end fund in which artists invest their own work, finds Kathryn Tully

Come the end of October, artists Mequitta Ahuja and Lauren Kelley will be finishing up Usable Pasts, their exhibition exploring history and memory in Harlem, New York, while 7,000 miles away, Haegue Yang prepares to close Voice Over Three, her solo exhibition of photography, video, sculpture and installation in Seoul.

At first glance, these artists have little in common, but all three participate in the Artist Pension Trust, a unique closed-end art fund launched in 2004 in which artists invest their own work. The idea is to give early to mid-career artists, who are often strapped for cash, a secure financial future.

It is not a conventional pension fund – artworks invested are not considered tax-deferred pension deposits in the US, for example – but as Pamela Auchincloss, chief executive of APT points out, no other art fund has what she calls APT's global self-investing model either. "When people ask me what I do, I say I run a global art fund where the artists are the stakeholders, but since nothing like this exists, there was a great deal of scepticism at first. People were asking, who makes the money?"

In fact, APT uses the mutual assurance model. "The idea was that if a group of artists invested their work in a fund, within that diversified pool of work, hopefully at least a small percentage will have financial success and support those that have less," says Ms Auchincloss.

APT uses 106 curators to select the artists, who then invest 20 art works over a 15 to 20-year period. Artists retain ownership, but APT holds the art until it is sold. Since 2004, APT has set up eight trusts serving regional artists, including London, New York, Berlin and Dubai. After seven years and once they have 200 to 250 artists, each trust starts selling art and sending its artists annual payments.

From every artwork sold, 40 per cent goes to the artist, 32 per cent goes into a pot from which every artist receives a pro-rata share, while APT keeps 28 per cent to cover costs and to distribute among its 120

financial backers, who have invested more than \$10m to date to fund APT's operations until it starts selling artworks.

APT also offers its artists studio space, promotes their activities, connects them with its global network of curators who work with top art institutions and organises exhibitions. Right now, Ms Auchincloss, who formerly ran a curatorial services company, is co-curating exhibitions of APT's artists in China, Egypt and India.

However, its investment returns are untested. While more than 1,300 artists have deposited 5,000 artworks with an estimated value of \$45m, no payments have been disbursed yet, although APT's New York trust, set up in 2004, plans to start sales this year.

"We'd always said it would be seven years before we approached the market, but I'm reviewing the New York collection right now for some possible pieces for sale," says Ms Auchincloss, who is based in the city. She admits some artists are impatient to start receiving payments. "I think that

"We're not selling anything at the moment, so... the fund is still worth \$45m"

some didn't understand the programme terribly well, and thought they'd immediately start getting disbursement cheques, so yes, we get those questions."

The forthcoming sales will be the first test of whether APT can produce decent returns. When entrepreneur Moti Shniberg and economist and academic Dan Galai founded APT in 2004, the Mei Moses Fine Art Index that tracks established artists' auction prices was growing by 20 per cent annually. However, APT's curators generally select artists whose work is likely



Pamela Auchincloss: Global future for the art world



An artwork by Claire Fontaine, a wall and window mounted painted neon

Courtesy of the artist and the Artist Pension Trust

to appreciate the most, not mature artists that already command high prices, and APT will not offer annual return projections because of uncertainty about when works will sell and for how much.

Furthermore, art prices have dropped considerably in recent years and the infant art investment fund market has floundered, with the recession hitting returns and fundraising. There were 50 active global art funds in 2007 compared with 12 today, according to Randall Willette, founder of Fine Art Wealth Management, and investors are more skittish. "There's more rigorous due diligence around management teams, investment performance, investment processes, operations, company structures and risk management – tests that so far very few art funds have met."

However, he adds that APT is unique because it does not purchase its art, the benefits to artists are not just financial and, whereas most art funds exploit art market inefficiencies, APT's uses modern portfolio theory just like many traditional investment companies.

With more than 200 artists in eight big art markets contributing 20 art works each, APT certainly has a much larger and more diverse pool of assets than most. "Just as one artist might eclipse another, one market may eclipse another," says Ms Auchincloss. "As we've seen, the future of the art world is global." She adds that no other fund has 106 curators, all experienced in spotting contemporary art talent.

Ms Auchincloss accepts that APT's art may be

worth 25 per cent less in today's market, but she is not worried because of APT's protracted sales schedule. "We're not selling anything at the moment, so from my viewpoint, the

fund is still worth \$45m."

She has such confidence in the model that one day she would like APT to establish a diversified art mutual fund, which would be a first. "That would be

exciting. Anyone could invest a small amount at very low risk."

First, however, the APT must satisfy its current investors, and that test is still to come.

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