



CAPITAL ART FUND

The emergence of art investment funds coincides with the growing interest in art as an alternative asset class. Fine art provides an opportunity for portfolio diversification in an area that has historically produced high returns with a stable track record over the long term. Making a profit out of art is not a new idea, but over the last few decades, art had gradually become a new asset class. Simply put, art funds are vehicles that take advantage of this market. The basic aim is to provide long-term capital growth for individuals who wish to diversify their risk but lack the experience to buy and sell art themselves.



Capital Art Fund is a family of privately-held investment funds dedicated to the generation of returns through the acquisition and disposition of works of art. The two primary approaches used are:

- * a sector allocation strategy of a broadly diversified portfolio of art resulting in medium and long-term capital appreciation
- * opportunistic financial transactions and direct investments to achieve shorter-term returns



Market inefficiencies and the leveraging of expert advice present opportunities with significant upside potential in the art fund world. The value of each individual asset managed is enhanced through a variety of curatorial and marketing activities commonly practiced by successful collectors and dealers. Risk



can be mitigated, but not eliminated, through the expertise, market intelligence, and depth of experience of the management team.

The major strategies utilized may include one or more of the following:

- * traditional “buy and hold” strategies;
- * “geographic arbitrage” strategies, which aim to take advantage of differences in price for certain artists’ works in different geographic locations;
- * “artwork driven” strategies, which seek to exploit issues impacting a



- specific artwork’s offered price (such as issues relating to its condition, provenance, title, etc.);
- * “regional art” strategies, which concentrate on investing in art from a particular geographic region (i.e., Chinese art);
- * “period strategies”, which focus on investing in a particular period of art (modern, contemporary, impressionist, etc.);
- * “emerging artists” strategies, which center around the investment in artists that are not yet established and therefore have the potential for rapid price appreciation;
- * “intrinsic value” strategies, which involve investing in works by artists perceived by the fund manager to be selling at deep discounts to their actual or potential value;





- * “leveraging” strategies, which involve borrowing on the art held by the fund and using such funds to acquire additional art expected to produce returns greater than the borrowing costs during the term of the loan;
- * “distressed art” strategies, which focus on the acquisition of artworks at deep discounts from collectors facing bankruptcy or insolvency;

- * “co-ownership” strategies, which involve the art fund acquiring works jointly with other third-party investors to share the risk of a particular investment and provide for further diversification of the art fund’s investment portfolio;
- * “showcasing” strategies, which seek to increase the value of the fund’s art portfolio by arranging for the placement of such works in important museum shows;



- * “diversification” strategies, which involve collateralizing and/or leveraging art assets to invest in real state to generate cash flow, achieve greater returns, and enhance diversification;
- * “bulk buying” strategies, which involve buying large lots of art in

- order to attain better pricing and lower transaction costs; and
- * “medium” strategies, which center on the investment in a single form of media of art (i.e., photography) for which the art fund manager has particular expertise and deal flow.



The responsibilities of the fund manager include:

- * identifying potential acquisitions
- * raising capital for the fund
- * managing investor relations
- * handling administrative compliance for the fund
- * showcasing the investment portfolio of the fund through exhibitions and loans to museums
- * managing the investments including storing and properly insuring the art
- * monitoring the art market in general and the fund's artists in particular
- * managing the orderly disposition of the fund's investment portfolio.



The **primary advisor** to Capital Art Fund is [Art Capital Partners](#), bringing to the table a vast knowledge base of geographical regions, time periods, and genres of art.

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