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ART INVESTMENT

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AFTER having spent over 16 years handling investments across public as well as private equity and the capital markets, my added exposure to the vibrant Indian art market over the past few years has been more than enriching. Not to say that there are no challenges, but the challenges are similar to the ones that have been faced by other asset classes during their initial days of development such as illiquidity, lack of transparency, undeveloped price discovery mechanisms and paucity of data. However it is my strong belief that the Indian art market is currently at an inflection point. The issues mentioned will be taken care of with a rapid multifold increase in the overall market size, driven by the wealth creation happening at a phenomenal rate and increasing international attention.

So let's come down to the fundamental question - Is the buzz about art being used as an effective diversifier in investment portfolios all froth and no substance? Well you won't have investment Guru Marc Faber backing diversification of portfolios with Indian Art across various media interviews since 2007 if it was. Here's why.

First, there is no doubt that today the value of Indian art is at centre stage both at home and globally. From Charles Saatchi, the advertising guru & collector to Francois Pinault, owner of Christie's, everyone important is gunning for Indian art. Artistic collaborations are flourishing. Critical intervention is gaining ground and institutional interest from museums worldwide is only strengthening. All this in some ways has been a byproduct of what can be termed as the first phase of development for the Indian art market, when we saw prices spiraling to dizzying heights between 2003 and 2007. But come 2008, the global economic meltdown took art down too; in fact prices of Indian art took a hit of more than 40 per cent.

However there are signs of a good recovery settling in, albeit in a much more mature fashion with most of the auctions throwing up better results than in the previous year. Sample this, the total auction value for the Moderns increased by more than a 100 per cent between 2009 and 2010! Records created by Raza's 'Saurashtra' selling at over Rs 16 crore and Arpita Singh's 'Wish Dream' which went under the hammer for a whopping Rs 9.6 crore just a few weeks ago are all testimony to

the health of the market. Volumes of sales for Indian art are picking up as well. Hence, barring any unforeseen global economic problems, it's fair to say that the Indian art market is slated for a long term, more stable upward journey, bringing to our door step an opportunity to buy art at fair prices not only for enjoyment but with a decent possibility of gaining financially as well. So how does one start investing in art? I say "start small".

Let's face it, investing in blue chip high end art created by masters involves not only very large sums of money but also requires a very deep understanding of art which can be assimilated only over a long period of time, and then also, it is out of reach for most people. This form of investing may carry some risks of its own from forgery, provenance deficiency to possibilities of erosion in value. In my view, it's probably a better idea to look at investing in the emerging set of artists who create quality work and are available at very reasonable prices. Remember it's from the emerging artists of today that the blue chips of tomorrow will be born.

For those investors who have had very limited or no exposure to buying art in the past, but have an inclination to

do so, the thought process should be first to build their knowledge base and then start with a small single digit percentage out of their investible surplus every year. Though it's a good idea to initially buy art works with the help of an expert advisor, basic fundamentals such as the artist's background, education, and exposure are key indicators that will determine his future potential. Doing this exercise raises the probability of your art portfolio to mitigate risks at a level comparable with some other alternate asset classes which you may have diversified into across your overall portfolio in the past.

Ultimately the final stage of selection must depend on what appeals to you personally. After all, the intrinsic value of art is to appease your sensibilities; the financial value is the added benefit. To sum up I would like to reiterate that this is the right time to buy. Prices have stabilised and works are available at fair value. So accumulate what you like, enjoy it and over a longer period it may be the best way of adding the extra alpha to your overall portfolio returns which could make a fair difference to your net worth. +

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