ART MARKET
International

Art fund calls for greater transparency

Founder of Tiroche DeLeon collection says increased openness will attract wider interest

Ai Weiwei's installation *Forever*, 2003, incorporating 42 bicycles, is described in Tiroche DeLeon's newsletter as the art fund's "most ambitious acquisition to date". It was bought in April 2011, for the equivalent of $805,000, four months after the artist's notorious arrest by the Chinese authorities. The work is currently on loan to the touring exhibition "Ai Weiwei: According to What" (at the Indianapolis Museum of Art until 21 July; then the Art Gallery of Toronto, 17 August to 27 October). In February 2012, Sotheby's valued the work at $1.5m

INVESTMENT

Gibraltar. Serge Tiroche, the co-founder of an art fund that acquires contemporary art from developing markets, says he is trying to bring a level of transparency to the art market in order to enable "a broader range of investors" to come in. Art funds have, to date, suffered the twin pressures of depressing art prices since a 2008 peak and concerns from investors in more mainstream alternative assets (such as gold, property and private equity) that the art market is too opaque.

By the end of 2008, an estimated 40% of around 50 art funds collapsed, according to data from the Fine Art Wealth Management consultancy. ArtPlus, a previous fund that Tiroche launched with his brother Micky, was one victim of the 2008-2009 art market crash. Since this time, such businesses – which pool investors' funds to acquire art – have begun to re-emerge, but most of the growth has been in China, where the economy is growing and regulation of such funds is still playing catch-up.

Tiroche's new fund, the Tiroche DeLeon collection, began purchasing in 2011 and currently has 250 works on its books worth a total of $14.3m. The fund opened to outside investors (with a minimum of $500,000) earlier this year. Its focus is on what it calls "contemporary masterpieces from developing markets", namely artists who have a track record locally, with some exhibition history, but are yet to have a fully-fledged international presence. It is here, says Tiroche, who also worked in private banking at Citigroup for ten years, that there is the greatest "price arbitrage". He says this is even the case at the top-end: "Look at the difference [in valuation] between artists of the same stature in the West and in developing markets. The best work by Subodh Gupta [based in India] is worth around $500,000; by a Western artist, this can go up to $20m." Artists in the fund's collection include Ai Weiwei (from China and the fund's largest single artist concentration), Mona Hatoum (Lebanon) and El Anatsui (Ghana).

> *"Information on works will no longer include what they cost"*

However, the fund's key distinction is its founders' transparent approach to what has been a very veiled industry. We know from its website, for example, that at the end of 2012, the collection was valued independently to be up 2.76% (net) over the year (the art market as a whole was down 3.4% in 2012, according to the Mei Moses All Art Index). Such data is not readily available for most art funds. "We want to change the industry from within," says Tiroche.

Serge Tiroche still believes art funds can work

All activity, all the time

Every work that the fund acquires is posted on its website (www.tirochedeleon.com), any sales from the fund are also reported and, Tiroche says, "people who follow our Facebook page, website and newsletters can see my activity almost live. [What] part of the world I am in, what artists I buy, what fairs, museums, studios, biennials I visit." Works that the fund lends to museum exhibitions – another core plank of its strategy – are also clearly identified.

Its a strategy that plays to the increasingly stringent needs of key potential investors, such as family offices, private banks and pension funds. In its 2012 report on the industry, the Fine Art Wealth Management consultancy finds that: "The trend is towards an increased focus of operational due diligence and risk management policies." Such sentiments were echoed at a conference hosted by the financial firm Deloitte in Maastricht in March, at which Jeremy Eckstein, the managing director of ArtBanc International, said that "so many investors in conventional assets have had their fingers burned – and they are even more worried about art."

But even Tiroche cannot be as open as he had originally intended. As from 2013, information on works acquired will no longer include what they cost and therefore individual investment returns per work will not be available. "That is the only bit of information that we have decided to keep confidential, in order to protect the interests of the artists and galleries," he says.

Melanie Gerlis

Tax ruling regards paintings as "equipment"

UNITED KINGDOM

York. A tax judgment over Joshua Reynolds's *Omai*, 1776, could encourage sales of major works from UK country houses. In March, a court tribunal ruled that capital gains tax was not due on the profits made from the painting because it should be regarded as "plant" (industrial equipment).

A spokesman for the Historic Houses Association (HHA) says: "There is currently a backlog of £390m on maintenance to HHA houses. It is sad that a number of houses have had to sell art in order to help pay for maintenance. Obviously each house will have its own tax arrangements to try to fulfil its maintenance obligations." Avoiding capital gains tax (charged in the UK at a flat rate of 18% for gains before June 2010) would make sales more attractive.

Omai had been sold by the Castle Howard Estate at Sotheby's in 2001 for £10.3m to a company linked to the Dublin businessman John Magnier. Afterwards, the executors of the estate of Sir George Howard argued that the Reynolds should be treated as "plant" used in the business of opening the house to the public, and regarded as a "wasting asset". The sale should therefore not be subject to capital gains tax. Although initially rejected by the courts, this was accepted by an upper tribunal ruling.

My *Omai*... what you are looking at has the tax status of a piece of machinery

HM Revenue and Customs says that it is "disappointed by this decision and is considering its position and what action to take", including an appeal. If there is no appeal, or if one fails, then Revenue and Customs would probably seek a change in the law. However, if there was a period before a new law came into effect, this could encourage a flurry of quick sales.

Omai is no stranger to controversy. Its owners have yet to secure a permanent export licence for the work.

Martin Bailey

In brief

Art Exchange thinks again

Paris. Art Exchange, Europe's first stock exchange for art that launched in January 2011, is working on plan B. The internet-based exchange, on which €10 shares were initially made available in two works (by Francesco Vezzoli and Sol LeWitt) never really took off. Pierre Naquin, the founder of the Paris-based A+F Markets, the company behind the exchange, says that while there was "public interest" this did not convert into business. However, he says, "we hope to announce something in the coming months." ***M.G.***