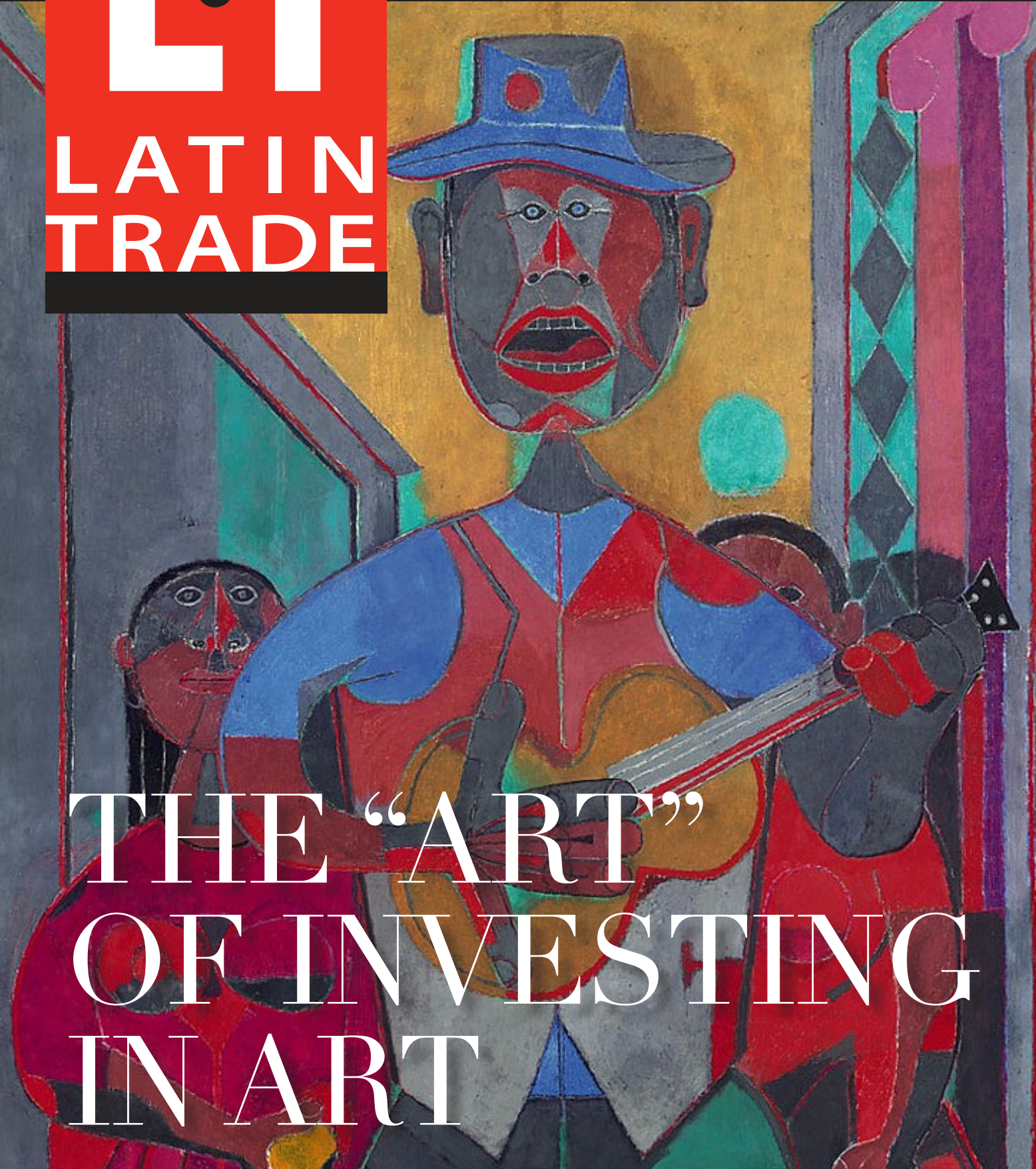


LT

A Latin Trade Special Report on Latin American art and the basics to start investing on it

LATIN
TRADE



THE “ART”
OF INVESTING
IN ART

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Composition
by Rufino Tamayo

THE “ART” OF INVESTING IN ART

Buying art can be fun and rewarding,
both personally and financially.

As Adriano Picinati di Torcello, an expert from Deloitte that we interviewed for this report, put it, purchasing art can bring about emotional pleasure, including the possibility of making it a family adventure.

It can also provide a social angle, as it connects the purchaser with a completely new network of people, such as collectors, dealers, gallerists, artists, etc. It can help to build a long-term legacy, for the buyer, for his/her family, or even for a city or a whole country. And, if purchased at the right price, art can help to diversify the owner's assets.

Latin Trade's special report on art investment is chiefly directed to the novice buyer who would like to begin a collection. Far from a full guide, our report aims to be the initial step to motivate a potential investor's curiosity in the field.

The report initially explores some basic considerations for beginning a collection. We emphasize on identifying the motivations to invest and in the need to get expert advice for the process as a whole, but particularly for the actual choosing of a collection. We also review risk factors such as authenticity and purchasing options, such as online and through investment funds. (The latter two available only in our online edition at www.latintrade.com).

We later offer a brief overview of Latin American art, followed by a glance at the region's main art collectors. The report ends with a brief analysis of the Mei Moses World Art Index and of *Latin Trade's* Latin Art Index, which generally confirm that the region's artwork has been appreciating, reflecting increased global interest.

Latin American art becomes more visible internationally as collectors remain interested in adding new, fresh names to their art assets. Some buyers are also benefiting from the weakening of local currencies, which has added made Latin American artworks even more competitively priced. **LT**



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Expert advice is a must

THE BASICS OF IN

A primary consideration when investing in art is to be clear about your motivation. “You have to know the purpose of your collection,” said Javier Lumbreras, an expert in art investment who currently manages Artemundi (an art advisory firm) and heads the Art Fund Association (the trade group for the art fund industry.)

Indeed, buyers must be clear about whether they buy exclusively for collection purposes, to combine contemplation with the building up of an estate, or if their motivation is exclusively profit. Each choice requires a different process and, most importantly, affects the investor’s expectations of the artwork purchased.

Invariably, however, there are common steps to follow. “You have to buy what you think you would still like to see in 20 years,” asserted Adriano Picinati di Torcello, Art & Finance Director at Deloitte. “Do not rush; get educated, ask the right questions, and check prices.” Although Deloitte does not provide investment advice or participate in transactions, it does offer consulting, tax, and audit services for art collectors and businesses involved in the art industry.

EXPERT ADVICE IS A MUST

The art investment process requires, as with any other investment, advice from experts in all areas, including risk mitigation, legal, and tax aspects. However, the first, and perhaps most important, advice will come from the expert who, with a clear understanding of the buyer’s motivation, will recommend which pieces to acquire.

“You can be a successful businessperson, but still have no knowledge of art—and that is where the expert in art comes into play, to help you buy things that will have appreciation potential,” said David Castillo, who has been an art expert and dealer for more than two decades, and has built a strong reputation in Miami.

Castillo recommends that buyers find a seasoned professional with demonstrated knowledge and years of experience in the business, as well as a track record of success in identifying early art prospects that have appreciated well over the years. He and other interviewees also noted that, when buying from primary sources such as artists, dealers, and gallerists (as opposed to secondary

sources, like auction houses such as Christie’s, Sotheby’s and Phillips), the expert should be able to offer access to a variety of artists, not just the ones he or she handles directly. “A sign of good advice is to also show artists that they do not represent,” Castillo affirmed.



Adriano Di Torecello Picinati

WHO TO BUY FROM IS ALSO KEY

An expert advisor should know the best sources to buy art and pick artists who, as Castillo recommends, preferably have “museum experience and relative recognition.” Getting the right seller is key to ensure authenticity, which is one of the primary risks faced in the art investment process.

“Authenticity is a less complex issue when buying contemporary art, however,” noted Picinati di Torcello. He also noted other key components to watch in the purchase process, including valuation, legal issues and tax aspects—each of which also require appropriate advice.

Although interviewees agree that authenticity is not the main concern when buying contemporary artwork, they caution against minimizing the associated risks. Buyers must still pay attention. (More on the authenticity issue can be found in the e-version of this report, at www.latintrade.com)



David Castillo

BUDGETING

The budget to invest in art partly depends on motivation, but a beginner’s collection may be started with \$500,000 to \$1 million—about what many Latin Americans have spent in Miami real estate in recent years, for example.

“You can build different type of collections with different budgets,” said Castillo, explaining that \$500,000 to \$1 million can be earmarked for a collection of emerging artists, including some better-known than others. Lumbreras asserted: “\$1 million is not a lot to buy art, but you can diversify into at least 12 to 14 pieces, with individual prices ranging from \$40,000 to \$200,000.”

Castillo and Lumbreras agree that a larger investment would increase the possibility for higher appreciation, potentially in less time, compared with a collection purely based on emerging artists and with fewer pieces in it.

Photo: owner courtesy

Photo: Courtesy David Castillo Gallery

VESTING IN ART



Joaquin Torres-Garcia’s artwork has gained 62 percent value between 2012 and 2016.

“Build a diversified portfolio, bring quality, and incorporate artists with a larger international audience,” Lumbreras underscored.

Castillo said an investment between \$5 million and \$10 million “will make you a first-class collection of contemporary art that mixes emerging, mid-career, and possibly some well-established artists.” In this case, he

added, the investor may see serious returns in five to 10 years, compared to 10-20 for a collection chiefly composed of emerging contemporary artists.

Nevertheless, success can arrive earlier even with the latter portfolio. “It may be the case that the right collection can yield high returns in seven to eight years,” Lumbreras noted.



▶ Alejandro Otero artwork has gained 38 percent value between 2012 and 2016.

A LONG-TERM INVESTMENT

As with any other investment, there are no guarantees of a specific return—or any return at all. Castillo, however, believes that, for a collector investing larger sums, the only way to lose money is to have poor advice when creating the collection.

“Art performs best—and this is based on statistics and econometrics—in the long term,” Lumbrera noticed. It is, therefore, important that the buyer bear in mind liquidity risks to a collection. The market may take an unfavorable turn for a particular artist, and that can make it difficult to sell his or her work for some time. When the investment portfolio is composed of newer artists, the risk of having more illiquid assets is higher.



Andrea Danese

The collateral accepted by the lender can range from works by masters to contemporary art, but it is much more difficult to lend purely based on emerging artists. “The mix is important,” said Andrea Danese, Athena’s CEO. “However, two Picassos and a set of contemporary can be collateralized, even if the latter comes from emerging artists,” he added.

ART FUNDS

Art buyers purely motivated by returns can consider the option of investing in art funds. Interviewees agreed that investors can go that route, although Picinati di Torcello recommends being “extremely critical about the fund you pick. Undertake a deep due diligence.”

Lumbreras elaborated more on the advantages of investing through a fund. “They will basically do all the work for you,” he noted, from choosing the art to the extensive work involved in selecting and buying it, including the logistic, administrative, legal, and tax aspects. “However,” he added, “the disadvantage is that you will not have possession and control of the artwork.” **LT**

COLLATERALIZED LOANS

The composition of a portfolio may open way to use it as a collateral for a loan in case of need. It is a growing business for lenders, including Athena Art Finance, a New York-based financial firm that collateralizes art owned by collectors, dealers, and museums to provide loans. Athena can lend a minimum of \$1 million, based on a loan-to-value ratio of 50 percent, for a typical term of five years.

BY DAVID RAMIREZ

Photo: owner courtesy

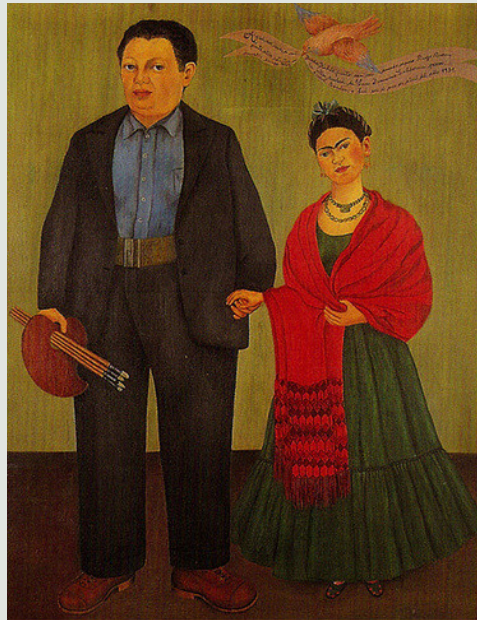
A BRIEF HISTORY OF LATIN AMERICAN ART

Latin America is the land of the resilient, the optimistic and of loads of undiscovered artistic talent. Its art history, however, is one that is difficult to tell because it has no clear beginning or end, like most 20th-century U.S. or European art movements have. This is due to the individual political and social evolution of each of the countries within the region. As a result, Latin American art has been seriously marginalized in the global art scene for decades. It is only in recent years that we have seen the strong presence of artists from this region of the world in major museum retrospectives, international art fairs, and auctions.

Since the beginning of the 20th century, curiosity—a strong characteristic of Latinos—has led many artists to travel to Europe in search of the avant-garde in France and in Spain. They found it in modernism: a broad movement in art and literature whose principles rejected history and conservative values, that embraced innovation and evolution of the form (as in shapes, colors and lines), that had a strong leniency towards abstraction, and that was driven in part by social and political agendas. Art movements associated with modernism include cubism, impressionism and pop art, as well as many others. In Latin America, modernism movements that gained momentum of their own include muralism in Mexico, concrete art in Buenos Aires and surrealism all over Central and South America.

Ever influenced by Europe, in the 1930s and 1940s, an educated group of left-wing artists, led by Diego Rivera, David Alfaro Siqueiros and Jose Clemente Orozco, began painting large-scale murals in Mexico as a means of rising against that nation's politically turbulent climate. Politics, activism, and collective work were prominent themes in art everywhere in Latin America. Simultaneously, surrealism caught on like wildfire and the magic world of the artists' unconscious, their experiences, and their imaginations also became sought-after in well-respected art circles. Some of the most prominent Latin American surrealists included Frida Kahlo, Roberto Matta, Wifredo Lam, and Rufino Tamayo.

The end of the 1950s brought a new and revolutionary change in the world of fine art. Modernism was coming



to an end, and contemporary art was emerging. This is a period that critics called “the death of painting,” a truly revolutionary time when new media such as video, installations, happenings, constructions, and others appeared. Suddenly, there was much more to “fine arts” than the classic painting and sculpture. The object lost importance and conceptual art took a life of its own. New chains of thought saw the rise of key Latin American artists whose work, though closely tied to international neo avant-garde movements, always made very clear references to their own culture and roots. These pioneers include Fernando Botero, Jorge de la Vega and Mira Schendel.

Unexpectedly, all that which was “artistically correct” was thrown out

the window and the rapid production of contemporary art gave way to countless cross-pollination movements and artists. However, social and political turmoil was and still is the constant central theme in Latin American art of the 20th and 21st centuries.

Today, art from Latin America, a region that embraces all of Central America and the Caribbean down to the tip of Argentina, is on the rise on the international scene. There are several reasons. For one, more galleries are showing work by Latin American artists at international art fairs—thereby educating and familiarizing collectors. Second, the prices of artworks in this market are much lower than those in the American or European art markets. Third, important international, taste-making museums around the world, such as Tate Modern, LACMA and Pompidou, have opened Latin American art departments during the last 16 years. These museums have started acquiring works and publishing on the subject. In addition, there is less competition for works by Latin American artists because collectors have not overloaded this market yet. Finally, the Latin American art market is seeing a serious surge in interest in all that which is not already mainstream in the art market, on behalf of established art collectors.

Latin America is not only the land of the resilient, the optimistic, and of loads of undiscovered artistic talent, it's also the land of opportunity. **LT**

BY ANDREA WILD

LATIN AMERICAN ART COLLECTIONS

Latin American Art collection did not become as a phenomenon until the 1970s. Up until then, collectors from Latin America and Latinos in the US focused on supporting artists from their countries: Colombians collected Colombian art, Mexicans collected Mexican art, and so on. But during the last few decades, this has changed drastically.

One of the leading collections of Latin American Art has been amassed by New York-based Patricia Phelps de Cisneros. She started collecting and founded the Fundación Cisneros during the 1970s, along with her husband Gustavo A. Cisneros. The collection is best known for its emphasis on modernist geometric abstraction from Latin America. The Cisneros' modern art holdings include work by pioneers of geometric abstraction, such as Venezuelan op and kinetic artists Jesús Rafael Soto, Alejandro Otero and Carlos Cruz-Diez, their equally extraordinary Venezuelan contemporaries Gego and Lygia Clark, Uruguayan avant-garde artist Joaquín Torres-García, and Argentinean Tomàs Maldonado.

Patricia Phelps de Cisneros' contemporary art collection includes artists such as Amalia Pica, Daniel Steegmann Mangrané, Pia Camil, Federico Herrero, and Mario García Torres. Additionally, a rich collection of colonial art—including painting, furnishings, and religious objects created in Venezuela between 17th and 19th centuries—is



Eugenio López Alonso, one of the largest collectors in Latin America.


complemented by artworks and documentation of those who explored Latin America and the Caribbean during that time. Cisneros' much-acclaimed collection has been shown at major museums around the world.

Meanwhile, Miami-based real estate mogul Jorge Pérez built his art collection around the three countries that have influenced him: Argentina, where he was born; Cuba, where his parents came from; and Colombia, where he grew up. He added in Mexico, the country where artists were most influenced by indigenous culture. He began collecting masters of Latin American Art and modern art, such as Roberto Matta, Wilfredo Lam, Amelia Pelaez, José Bedía, Beatriz González, Joaquín Torres-García, Diego Rivera, and Frida Kahlo.

Pérez's motivation for collecting has been "to have a very good classical Latin American collection that was part of a public collection in Miami," he says. This dream was realized after he donated \$20 million worth of art from his Latin American collection to the Miami Art Museum, and an additional \$20 million in cash; the museum was renamed Pérez Art Museum Miami. A self-described "obsessive" collector, Pérez frequents the main art fairs in Bogotá, Buenos Aires, Mexico City, and Lima. His home in Miami includes works by Botero, Damian Ortega, Pablo Atchugarry, Julio Le Parc, and Secundino Hernández. There are several other important collections of Latin American art outside the US. In Mexico City, Eugenio López Alonso—the sole heir to the Jumex fruit-juice fortune—opened the David Chipperfield-designed Museo Jumex in 2013. It is estimated the collection has more than 2,500 pieces of art, with special emphasis on important Mexican artists such as Damian Ortega, Gabriel Orozco, and Gabriel Kuri, as well as international contemporary art made after 1950. The foundation also emphasizes supporting grants for education and research.

In Brazil, Bernardo Paz's Inhotim is an Eden of modern and contemporary art in a remote rainforest location. The "open air museum" includes a botanical garden and multiple restaurants, and the emphasis is on the relationship of art to nature. Although Brazilian artists such as Helio Oiticica and Lygia Pape feature prominently in the collection, works on display are not limited to Latin American art. Inhotim also has works from international art stars such as Mathew Barney, Olafur Eliasson, Yayoi Kusama, Chris Burden, and Dan Graham. **LT**



 Museo Jumex harbors the more than 2,500 pieces of art collection owned by Eugenio López Alonso.

BY LAURIE ROJAS

Photo: Gettyimages, Jhonny Munoz

Photo: flickr, Paul D Carey

LATIN AMERICAN ART PRICES

Today, despite continuing complaints about lack of transparency in the art market, more information than ever is available about the market from a growing range of sources.

Among the sources for art sales are ArtPrice, Artnet, and Invaluable. Tailored indices such as Mei Moses, as well as Deloitte, ArtTactic, Tefaf, and Skate's Art Market Research, offer analysis of market trends. Despite all this new information and indices, major art market figures still complain that they represent fairly small fractions of the totality and range of sales.

Mei Moses Art Indices, an analytic tool based on price information for objects that have come to auction, was founded by New York University professors Jianping Mei and Michael Moses; Sotheby's recently purchased it. Mei Moses' methodology—somewhat controversial but widely cited—uses a database of repeat sales, meaning the sale of the same object at different points in time, to track changes in value. The index covers a database of 45,000 works from different art-historical categories, of which between 3,000 and 4,000 are resold each year.

Despite a general art market slowdown, Latin American art showed positive performance during 2015, according to Mei Moses data made available in Deloitte's and ArtTactic's Art and Finance Report. Mei Moses' Latin American Art Index went up 1.40 percent during 2015. This data is supported by even stronger positive results from Latin American auction sales at Sotheby's, Christie's, and Phillips, which showed sales were 11 percent higher in 2015 than in 2014. This marks the highest total sales for the Latin American art market since 2008. Deloitte's report also says that the majority of buyers were from the Latin American region. One surprising element in the 11 percent growth of the Latin American art market was the widely reported slowdown in Brazil, which has been one of two powerhouse markets—the other one being Mexico—during the last decade. Brazilian artists have broken several auction records since 2008, and many of the higher prices at auction, quite uniquely, have been for works by women artists. Of the top seven Brazilian artists at auction, five were women, including Lygia Clark at the top spot. One of her black and white paintings saw the hammer fall at \$2.2 million on May 23, 2013 at Phillips, soaring above the estimates of \$600,000-\$800,000. Another of her folding sculptures sold for \$1.9 million on November 21, 2013. The soaring prices for Clark's work might be attributed to her retrospective at MoMA during the summer of 2014 and the strength of the Brazilian art market at the time. Economic developments in Latin America, though, are

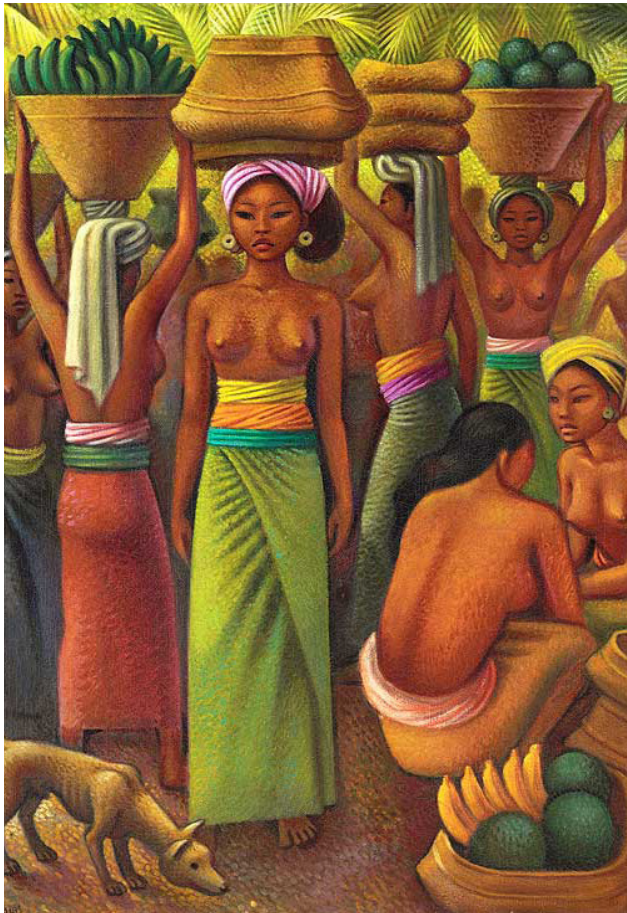



📷 The world auction record for Latin American art is currently held by Mexican artist Rufino Tamayo's painting *Trovador*, which went for \$7.2 million in May 2008 at Christie's Latin American Art Auction.

generally reflected in the geographic breakdown of sales during auctions. The Latin American art market has been affected by the slowdown in Brazil, but countries that are showing positive growth—such as Mexico, Cuba, and Colombia—have offset this negative impact. In fact, Mexican art dominated auctions during 2015 and 2016, and increasing demand for Cuban art made it one of the fastest growing segments of the Latin American art market during 2015, according to Deloitte's report. The world auction record for Latin American art, however, is currently held by Mexican artist Rufino Tamayo's painting *Trovador*, which went for \$7.2 million in May 2008 at Christie's Latin American Art Auction. The Cuban-born conceptual artist Felix Gonzalez-Torres holds the record for a Cuban artist, with a buyer paying \$7.7 million for one of his edible "candy pieces," *Untitled (L.A.)*. He is followed by the Cuban surrealist Wifredo Lam, whose masterpiece *Présage* sold for \$2,629,000 in May 2015. **LT**

BY LAURIE ROJAS

THE LATIN TRADE ART INDEX >>>>



 Offering of Fruits for the Temple, one of Miguel Covarrubias's best known masterpieces.

The Latin American Art Index estimated by *Latin Trade* has been slowly declining since 2012. The Index calculates average prices based on publicly available auction prices.

There are many factors that might explain the Index's overall trend. First, it only accounts for auction prices, which are less than half of all art sales. During 2015, sales made on the auction house floor—where the highest grossing sales take place—only accounted for 47 percent of total value generated in the art market that year. Galleries don't make their sales data publicly available.

The Index also reflects the downturn in Brazil's art market, which correlates with a major slowdown of the global art market since 2015.

Despite this overall slowdown, the works of several Latin American artists continue to grow in value. Joaquín Torres-García's works have had the highest compound annual growth rate in their auction prices, according to *Latin Trade's* Art Index.

The average price for Torres-García's works at auctions went from \$54,600 in 2012 to \$375,800 in 2016. Meanwhile, his highest auction record is \$2.5 million, for a piece that sold at Christie's on November 20, 2015, according to Artsy's database. This painting went to auction the month after his retrospective at MoMA opened, and boasted a powerful exhibition history: the Biennale di Venezia in 1956, the Bienal de São Paulo in 1959, and a retrospective that travelled to the Guggenheim Museum in New York between 1970-1971.

Another major influencing factor in the value of a work is whether it is from a period that represents a high-watermark for the artist. This Torres-García painting is from 1931, while he was living in Paris, a seminal year in defining Torres-García's signature style.

But this rule is not universal. The leading lot of Christie's Latin American art by the Cuban Surrealist Wifredo Lam, estimated to sell for between \$2.5 million and \$3.5 million, failed to sell during November 22-23 sales, despite Lam's retrospective travelling to Paris' Pompidou, Madrid's Reina Sofia and London's Tate Modern between 2015-2017.

Mexican artist Miguel Covarrubias is ranked No. 2 in *Latin Trade's* Index. A much underappreciated artist, famous for caricatures in *Vanity Fair* and *The New Yorker*, he has not received a retrospective in a prestigious art institution, and provides a different perspective.

It is possible to speculate that his works' good condition, as well as the subject matter of most of his paintings—the exotic cultures of Bali, mostly depicting colorful portraits of indigenous women—make them extremely popular at auction. Gauguin's paintings of Tahiti, the highest grossing painting sale, would support this perspective.

In short, experts believe that Latin American art does well over time because the works tend to be very high-quality and frequently undervalued, and thus can represent a low-risk and highly profitable investment opportunity. But the specific artists and subject matter are major factors in investment potential. **LT**

BY LAURIE ROJAS

Men and his
shadow
by Rufino Tamayo

LATIN TRADE ART INDEX / FOUR-YEAR RETURNS

U.S. DOLLARS

Artist	Country	Average prices		Chg.
		2012	2016	2012-2016 CAGR %
Joaquin Torres-Garcia	Uruguay	54,600	375,833	62
Miguel Covarrubias	Mexico	15,000	95,000	59
Alejandro Otero	Venezuela	136,344	490,000	38
Leon Ferrari	Argentina	17,500	60,000	36
August Lohr	Austria/Mexico	26,875	75,000	29
Antonio Segui	Argenti	34,375	93,750	29
Luis Tomasello	Argentina	18,750	50,000	28
Fernando De Szyszlo	Peru	39,583	90,625	23
Guillermo Kuitca	Argentina	59,375	125,000	20
Emiliano Di Calvacanti	Brazil	32,688	276,750	20
Oswaldo Vigas	Venezuela	67,917	118,750	15
Rufino Tamayo	Mexico	328,014	486,600	10
Candido Portinari	Brazil	236,500	336,250	9
Alice Rahon	France/Mexico	31,094	43,750	9
Oswaldo Guayasamin	Ecuador	75,825	98,125	7
Angel Zarraga	Mexico	48,917	60,000	5
Manuel Mendive	Cuba	12,500	15,000	5

CAGR = Compound Annual Growth Rate
Source: Latin Trade based on publicly-available auction prices

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