10th Art & Finance Conference
8 November 2017
Agenda

09.30 – 09.45  Welcome speech and introduction
Enrico Ciai, Chief Executive Officer, Deloitte Italy
Yves Francis, Managing Partner, Deloitte Luxembourg
Raffaele Jerusalmi, Chief Executive Officer, Borsa Italiana

09.45 – 10.00  Deloitte Italy Art & Finance presentation
Barbara Tagliaferri, Deloitte Italy, Art & Finance Coordinator for Italy

10.00 – 10.30  The place of art in the Italian economy
Keynote speaker:
Dario Franceschini, Italian Minister of Cultural Heritage and Activities and Tourism

10.30 – 11.30  Panel 1 | The role of wealth managers in the management of private collections and collections owned by family businesses: case study Italy
Moderator: Sophie Neuendorf, Director, artnet
Panelists:
Domenico Filipponi, Head of Art Advisory, Unicredit
Patrizia Mischattelli, President, Italian Family Office Association
Paola Musile Tanzi, Perugia University Full Professor and SDA Bocconi Affiliate Professor
Massimo Penco, Managing Partner, Studio Legale Penco
Dave Wolf, Director, ClarityLife
Alessia Zorloni, Adjunct Professor, IULM University, Milan

11.30 – 12.30  Panel 2 | Trust and transparency in the Art Market - Is the Art Market a global market?
Moderator: Henry Blundell, Chief Executive Officer, MasterArt
Panelists:
Giuseppe Calabi, Senior Partner, CBM & Partners
Maria Adelaide Marchesoni, Journalist, Arteconomy24 - Il Sole 24 Ore
Laura Patten, Advisory Specialist Leader, Deloitte US
Famke Schaap, Director Tax and Legal, Deloitte Belgium
Nicola Steel, General Counsel Art EMERI, Christie’s
Anastasia Tennant, Senior Policy Advisor, Collections & Cultural Property, Arts Council of England

12.30 – 14.00  Lunch

14.00 – 14.30  AXA ART Market study | How online data help collectors and art professionals in acquiring contemporary art
Prof. H. Dieter Dahlhoff, Professor, University Kassel

Moderator: Enrica Roddolo, Journalist, Corriere della Sera
Panelists:
James Bradburne, General Director, Pinacoteca di Brera
Alice van der Slikke, Business Manager Professional Services, Van Gogh Museum
Kai Kuikinski, Global Chief Executive Officer, AXA ART
Javier Lumbreras, Chief Executive Officer, The Charitable Museum Endowment Fund
Viola Raikhei-Bolot, Managing Director, 1858Ltd Art Advisory
Dr. André Rogger, Head Art Collection, Credit Suisse AG

Adriano Picinati di Torcello, Director, Advisory & Consulting, Global Art & Finance Coordinator, Deloitte Luxembourg
Anders Petterson, Founder & Managing Director, ArtTactic

15.30 – 16.00  Coffee break

16.00 – 16.45  Private and Public sectors: opportunities and challenges to manage collections, the French experience
Aurélie Filippetti, Former French Minister of Culture (2012-2014)

16.45 – 17.15  Closing speech
Ernesto Lanzillo, Deloitte Italy, Deloitte Private Leader
Adriano Picinati di Torcello, Director, Advisory & Consulting, Global Art & Finance Coordinator, Deloitte Luxembourg

Cocktail reception
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Deloitte Art & Finance

Deloitte Art & Finance: Art & Finance is uniquely positioned at the intersection of three interconnected sectors.

**Finance**
- Private bankers
- Wealth managers
- Family offices
- Private investors
- Art/collectibles fund promoters
- Art insurance companies
- Art trading companies
- Etc.

**Culture**
- Public museums
- Private museums
- Corporate collectors
- Private collectors
- Etc.

**Business**
- Companies selling art
- Digital art companies
- Art logistics companies
- Art & media companies
- Technological art companies
- Etc.

Source: Deloitte Luxembourg & ArtFacts Art & Finance Report 2017
Deloitte Art & Finance Journey

- 2008 – October
  Luxembourg
  1st Art & Finance Conference

- 2009 – October
  London
  2nd Art & Finance Conference

- 2010 – October
  Paris
  3rd Art & Finance Conference

- 2011 – December
  Miami
  4th Art & Finance Conference
  1st Art & Finance Report

- 2012 – June
  Basel
  5th Art & Finance Conference

- 2013 – March
  Maastricht
  6th Art & Finance Conference
  2nd Art & Finance Report

- 2014 – September
  Luxembourg
  7th Art & Finance Conference
  3rd Art & Finance Report

- 2015 – March
  New York
  8th Art & Finance Conference

- 2016 – April
  Amsterdam
  9th Art & Finance Conference
  4th Art & Finance Report

- 2017 – November
  Milan
  10th Art & Finance Conference
  5th Art & Finance Report

1 country

24 countries
The Deloitte Art & Finance involves today more than 24 countries in 6 continents
Deloitte Italy Art & Finance presentation

Barbara Tagliaferri
Deloitte Italy, Art & Finance Coordinator for Italy
Panel 1

The role of wealth managers in the management of private collections and collections owned by family businesses case study Italy

Moderator:
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Director, artnet
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*Moderator: Sophie Neuendorf | Director, artnet*

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Panel 2
Trust and transparency in the Art Market - Is the Art Market a global market?

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Moderator: Henry Blundell | Chief Executive Officer, MasterArt
Evaluating Contemporary Art: Information Sources & Strategies
Results of an international empirical study

AXA ART Market study

H. Dieter Dahlhoff
Professor, University Kassel
To view and/or download Professor Dahlhoff’s study, click here
Panel 3
Private art collection & Family business corporate art collections: motivations – risks – needs

Moderator:
Enrica Roddolo
Journalist, Corriere della Sera
Panel 3

James Bradburne  
General Director, Pinacoteca di Brera

Alice van der Slikke  
Business Manager Professional Services, Van Gogh Museum

Kai Kuklinski  
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Art & Finance Report 2017
5th edition

The State of the Global Art Market 2017
Global UHNWI Art & collectibles Wealth 2016 to 2026 Estimates
US$ 1.622 billion in 2016 to US$2.706 billion in 2026

Source: Deloitte Luxembourg & ArtTactic Art & Finance Report 2017
Global art market recovery in 2017
Auction market up 18% in the first 6 months
Global art market outlook 2018
4 out of 9 regional art markets remain neutral-to-positive about the next 12 months

<table>
<thead>
<tr>
<th>Region</th>
<th>% UP</th>
<th>% FLAT</th>
<th>% DOWN</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>32%</td>
<td>52%</td>
<td>16%</td>
</tr>
<tr>
<td>China</td>
<td>32%</td>
<td>46%</td>
<td>22%</td>
</tr>
<tr>
<td>Latin America</td>
<td>34%</td>
<td>29%</td>
<td>37%</td>
</tr>
<tr>
<td>Africa</td>
<td>46%</td>
<td>42%</td>
<td>12%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>32%</td>
<td>52%</td>
<td>16%</td>
</tr>
<tr>
<td>Middle East</td>
<td>25%</td>
<td>34%</td>
<td>41%</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>17%</td>
<td>68%</td>
<td>28%</td>
</tr>
<tr>
<td>South Asia</td>
<td>7%</td>
<td>65%</td>
<td>28%</td>
</tr>
<tr>
<td>Russia</td>
<td>19%</td>
<td>35%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Source: Deloitte Luxembourg & ArtTactic Art & Finance Report 2017
Art & Finance Report 2017
5th edition

Art and Wealth Management Survey
Typology of Art Wealth management services

- Accumulating wealth: Growing assets
  - Museum endowments
  - Art investment
  - Art funds
  - Stocks of art businesses
  - P/E in start-ups
  - Financing of art business

- Protecting wealth: Managing risks
  - Art advisory
  - Valuation
  - Assets consolidation
  - Reporting
  - Art insurance
  - Passive portfolio management
  - Art collection management
  - Art risk management

- Transferring wealth: Creating a legacy
  - Philanthropy advice
  - Art related inheritance & estate planning
  - Securitization

- Converting wealth to income: Creating an income stream
  - Client entertainment
  - Internal education
  - Art sponsoring
  - Corporate collection

- Art-secured lending
88% of wealth managers (up from 78 percent in 2016) believe art and collectibles should be part of a wealth management offering

What has been an assumption and a “test” in the beginning, has now been widely recognized – **Art & wealth management is now part of a long term trend**
Wealth Managers: Which services will you focus on in the next 12 months?
Wealth managers are taking a more proactive approach

Highest overall reading to date for anticipated investment in art wealth management services over the next 12 months

Source: Deloitte Luxembourg & ArtTactic Art & Finance Report 2017
Main motivations to integrate Art and collectibles in a wealth management offering

- Competition – need of a holistic advisory relationship – Client demand

Source: Deloitte Luxembourg & ArtTactic Art & Finance Report 2017
64% wealth managers offer art-related services to their clients

How aware are you of developments linked to art as an asset class?

- Private Banks: 56%
- Family Offices: 63%

Does the bank/family office currently offer any kind of services when it comes to art and collectibles (including entertainment)? % saying 'Yes'

- Private Banks: 55%
- Family Offices: 67%

Do you feel that there are strong arguments for including art and collectibles in traditional wealth management? % saying 'Yes'

- Private Banks: 68%
- Family Offices: 94%

Do you expect your clients to want to include art and other collectible assets in their wealth reports to have a consolidated view on their wealth and have a better view on their exposures? % saying 'Yes'

- Private Banks: 63%
- Family Offices: 70%

How important is it to develop a holistic advisory relationship with your clients (look at all assets of your clients)? % saying important/very important

- Private Banks: 72%
- Family Offices: 100%

Source: Deloitte Luxembourg & ArtTactic Art & Finance Report 2017
Collectors see their wealth managers as their trusted independent advisers

**GAP Analysis: Most relevant art and wealth management services vs. wealth management offering**

- Art Collection Management: 78% (wealth manager 2017), 71% (wealth manager 2016), 78% (art collector relevance), 60% (art professional relevance)
- Art Philanthropy | Individual Giving: 72% (wealth manager 2017), 64% (wealth manager 2016), 64% (art collector relevance), 61% (art professional relevance)
- Estate planning (tax, inheritance and succession planning): 89% (wealth manager 2017), 79% (wealth manager 2016), 72% (art collector relevance), 71% (art professional relevance)
- Art Market Research & Information: 76% (wealth manager 2017), 72% (wealth manager 2016), 62% (art collector relevance), 71% (art professional relevance)
- Art Valuation: 87% (wealth manager 2017), 74% (wealth manager 2016), 69% (art collector relevance), 74% (art professional relevance)
- Advise on buying art: 83% (wealth manager 2017), 79% (wealth manager 2016), 57% (art collector relevance), 74% (art professional relevance)
- Art loans & finance (using art as a collateral): 76% (wealth manager 2017), 67% (wealth manager 2016), 46% (art collector relevance), 69% (art professional relevance)
- Art | Collectibles Investment Funds: 43% (wealth manager 2017), 41% (wealth manager 2016), 34% (art collector relevance), 37% (art professional relevance)

**Source:** Deloitte Luxembourg & ArtTactic Art & Finance Report 2017
Estate planning is viewed as the most important art and wealth management service by wealth managers, art professionals, and collectors.

28% of private banks said that their clients had sufficiently addressed their art collection in the estate plans versus 72% of the family offices surveyed.

Source: Deloitte Luxembourg & ArtTactic Art & Finance Report 2017
When it comes to collection management and estate planning, family offices seem to have their house in order.

61% of family offices said they maintain an updated inventory of their clients’ art collection, compared to only 13% of private banks.

Where your art will go?

- Family/ Private foundation: 80%
- Sold: 15%
- Public museum: 5%

Source: Deloitte Luxembourg & ArtTactic Art & Finance Report 2017
Art-related wealth be included in wealth reporting to move from a more reactive towards a more proactive approach

69 percent of the wealth managers (down from 73% percent in 2016) said their clients wanted to include art and other collectible assets in their wealth reports in order to have a consolidated view of their wealth.
Challenges for Wealth Managers in terms of imbedding art and collectibles in traditional wealth management

The ranking of the most important challenges remains largely the same as that reported in the first survey in 2011

However, as interest in art and wealth management grows, an apparent lack of senior management support for developing these initiatives seems to be creating a greater sense of frustration among the wealth managers surveyed this year.

Source: Deloitte Luxembourg & ArtTactic Art & Finance Report 2017
Emotions vs. investment

The emotional and social aspects of collecting art combined with the potential for increasing or safeguarding value that seem to be the driving motivation

Figure 34. Why do your clients buy art? (art professionals)

Figure 35. Why do your buy art? (art collectors)

Wealth managers need to integrate those motivations when they design their art and wealth management products to bring passion into wealth management

Source: Deloitte Luxembourg & ArtTactic Art & Finance Report 2017
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Art-Secured Lending
The US art-secured lending market is expanding at 13% from 2015.

In this year’s survey, 67 percent of wealth managers said their institution now offered art-secured lending services.

US Art secured lending market estimate
US$ 17-20bn in 2016

Art collectors
Demand: 46%
Offer: 70%

Art professionals
Demand: 53%
Offer: 55%
Challenges & need for risk management

Valuation – lack of liquidity – regulation – risk assessment

- Difficult to assess the risk
- Lack of liquidity
- Due diligence
- Valuation – lack of mark-to-market valuation
- Unregulated market
- Legal aspects
- Secure Storage
- Lack of knowledge about the art market
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Art as an Investment
Art Market Performance 2001 - 2017
The long-term performance indicates positive annual returns for all art prices indices monitored by artnet

Table 2. Art market returns by time period
Art market price index returns -1, 5, 10 and 15 years based on artnet indices

<table>
<thead>
<tr>
<th>Art Market Category</th>
<th>Last 12-month return</th>
<th>5-year CAGR</th>
<th>10-year CAGR</th>
<th>15-year CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Old Masters</td>
<td>2.21%</td>
<td>1.72%</td>
<td>1.72%</td>
<td>3.69%</td>
</tr>
<tr>
<td>Global Impressionist Art</td>
<td>10.50%</td>
<td>-0.78%</td>
<td>-2.07%</td>
<td>1.54%</td>
</tr>
<tr>
<td>Global Modern Art</td>
<td>3.62%</td>
<td>-2.50%</td>
<td>-2.43%</td>
<td>4.05%</td>
</tr>
<tr>
<td>Global Post-War Art</td>
<td>-0.98%</td>
<td>1.29%</td>
<td>-1.26%</td>
<td>7.12%</td>
</tr>
<tr>
<td>Global Contemporary Art</td>
<td>7.45%</td>
<td>4.09%</td>
<td>2.04%</td>
<td>8.54%</td>
</tr>
<tr>
<td>Fine Chinese Paintings &amp; Calligraphy</td>
<td>0.67%</td>
<td>-0.59%</td>
<td>9.17%</td>
<td>11.50%</td>
</tr>
<tr>
<td>20th-Century &amp; Contemporary Chinese Art</td>
<td>3.74%</td>
<td>1.10%</td>
<td>3.19%</td>
<td>14.10%</td>
</tr>
</tbody>
</table>

Source: artnet | The returns are nominal and do not include transaction fees. The 12-month return is from April 2016 to April 2017.

In terms of correlation across all asset classes, safe haven art categories (impressionism and old masters) are highly correlated with safe haven asset types (bonds, real estate), whereas riskier movements (contemporary, Chinese art etc.) exhibit greater correlation with riskier asset types (stocks, commodities)
Global art fund industry struggles to gain momentum after 5 years of decline, but art investment remains relevant.

Figure 49. Global Art Investment Fund Market (AUM) 2011 – H1 2017
Estimated assets under management (AUM) in US$

Source: Deloitte Luxembourg & ArtTactic Art & Finance Report 2017
The challenges remain the same after tracking 6 years of tracking wealth managers’ attitudes

Top 5 Challenges in terms of imbedding art investment fund into a bank’s offering

Figure 52. What do you feel are the main hurdles for incorporating Art Investment Funds as part of the bank’s current client offering

Source: Deloitte Luxembourg & ArtTactic Art & Finance Report 2017
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Art and Technology
Art & Technology: Data [r]evolution

1. Digitization of auction transaction data in the late 1990s (artnet, artprice)
2. Digitization of exhibition data (KunstKompass, ArtFacts.net) - 2004
5. Online platforms (auction/gallery – Artsy, Invaluable)
6. Social media data (Instagram)

Development of new analytical tools:
The market for art market data and analytics

- **Having** the data is not the same as being able to **use** the data effectively
- Investment in **education/data literacy** is needed
- Investment in refining and developing ‘analytical tools’ to help the Art & Finance industry address issues around risk management and valuation.
- The need a **competitive market** place for art market data, analytics and research.
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Regulation and Risk Management
Art Market Regulation
Top 3 - Biggest threats to the reputation of the art market

- Authenticity
  - Art collectors: 63%
  - Wealth managers: 83%
- Price manipulation
  - Art collectors: 82%
  - Wealth managers: 76%
- Lack of transparency
  - Art Prof.: 69%
  - Art collectors: 62%
  - Wealth managers: 79%
Government Regulation vs Self-Regulation
The majority of the respondents are in favour of a self regulated art market

Survey 2017

- Wealth Managers
  - Self-regulation: 60%
  - Government regulation: 40%

- Art Collectors
  - Self-regulation: 76%
  - Government regulation: 24%

- Art Professionals
  - Self-regulation: 77%
  - Government regulation: 23%

Responsible Art Market Initiative (RAM)
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Key Priorities
Key priorities in relation to overcoming challenges and encouraging further investment in the development of the Art & Finance industry

- **Regulation - addressing the reputation of the art market**
  (Transparency – standards - guidelines)

- **New technology and risk management**

- **Art and wealth management related issues**
  (Leadership – proactivity – professional development – collaboration between sectors)
Closing speech

**Ernesto Lanzillo**  
Deloitte Italy, Deloitte Private Leader

**Adriano Picinati di Torcello**  
Director, Advisory & Consulting, Global Art & Finance Coordinator, Deloitte Luxembourg