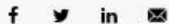


The Authorities Transforming Art as an Asset Class

By some estimates, the world's private art collections are worth between \$2 and \$3 trillion, but the role of art in investment portfolios has tended to be ambiguous. As more collectors focus on financial gains, prominent innovators in and outside of finance are creating clarity and transforming art's place in the modern portfolio.

By [Dan Duray](#), [Noah Powelson](#), [Sissi Cao](#), [Alexandra Tremayne-Pengelly](#) and [Christa Terry](#).



OBSERVER

**ART AS AN
ASSET CLASS**

BUSINESS OF ART POWER LIST

Art has always been an asset but until recently, art funds were not particularly popular. “Despite the potential for strong returns and low correlation to the stock market, global art funds have been struggling to attract investor interest,” Barron’s wrote in 2019, pointing out that the assets in these funds slid from \$2.1 billion in 2012 to \$830 million in 2017. The thinking used to be that if you wanted art to diversify your portfolio, you could just buy a painting, hang it on your wall, have your friends ogle it and otherwise enjoy the collector experience.

This year, the same publication wrote an article headlined “The Fractional Art Market Keeps on Expanding.” People are once again eager to treat art as an asset and, despite high interest rates, excited to commoditize it in the way we’ve seen happen with other financial products.

Masterworks—a platform for buying and selling shares of blue chip artwork—has done much to popularize this concept, though there has been a lot of heat behind Harold Eytan and Loic Gouzer’s Particle (another co-ownership platform), via which the former Christie’s dealmaker entered this increasingly populated financial space. Last year saw the launch of the Switzerland-based Artemundi, and Freeport, based in Delaware, launched this past May. This year also brought us the “IPO” of Francis Bacon’s Three Studies for a Portrait of George Dyer (1963) by the Lichtenstein-based Artex.

Masterworks and its ilk wouldn’t have been possible in the past, according to Evan Beard, executive vice president of private sales at Masterworks. “The reason it’s changed is because you have a generation of collectors very financially driven in their collecting,” he told Observer last year. According to Beard, today’s collectors are more focused on financial gain; have backgrounds in private equity, real estate, hedge funds and tech entrepreneurship; and are just not as interested in the aesthetic pleasure of artwork as the collectors of yesteryear.

This segment of the marketplace does show a geographical bias for areas where the population of LLCs tends to outnumber the population of actual people. Nonetheless, this segment of the market is growing, thanks in no small part to the influence of the people below.

Philip Hoffman

Founder and CEO of The Fine Art Group

It's been a standout couple of years for Philip Hoffman. In 2022, The Fine Art Group, which runs one of the world's largest art funds, announced an advisory collaboration with Allan Schwartzman's Schwartzman& (coinciding with the London-based advisory opening its New York City Office). This year, Hoffman expanded his firm into the Asian market with a joint venture with Patti Wong & Associates—former Sotheby's Asia chair Patti Wong and Daryl Wickstrom's Hong Kong-based art advisory firm.

Hoffman has a history of making smart decisions for himself and for the collectors and investors he serves. At 27, Hoffman became the youngest C-level executive Christie's had ever appointed and stayed with the auction giant for the next 12 years, becoming its deputy CEO of Europe before leaving it all behind to launch his own firm. His clients include high-net-worth families—30+ billionaires, as he has described them—plus private equity firms, hedge fund managers and real estate developers around the globe. "Smart people would build an art collection with an advisor who understands how to make money, and they can buy art that they love and make a lot of money at the same time," Hoffman told Observer in 2019. Fast forward to today, and he's still 100 percent focused on building The Fine Art Group into the number one partner for those looking to transact at the highest levels of the global art and collectibles markets. "Assembling the most experienced and talented team in the industry worldwide is a key priority," he tells Observer. "We look forward to expanding our network and bringing a number of new, very experienced colleagues on board."



Philip Hoffman, Nick Smith Photography