

Art as an asset class

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Part B described the double portrait of the Basel money changer Jakob Meyer zum Hasen, painted by Hans Holbein the Younger in 1516, and the later *Darmstadt Madonna* commissioned by the same patron. The latter painting remained in private hands for centuries and was sold in 2011 to the Würth collection at a price reported to be in the tens of millions of euros. Its history from the commission of a Basel financier to its sale as one of the most expensive old master paintings ever sold in Germany shows how works of art have come to be regarded as assets. The modern art fair is the most visible institution of that transformation, because it presents art as a commodity that can be bought, financed, insured, stored and resold.¹

Whether art is an asset class in the technical sense is disputed. Art does not produce income, its transaction costs are high, its prices are difficult to observe and its market is illiquid. Studies of the long-term returns on art, based on repeat sales at auction, have generally found returns lower than those of equities and comparable to or below those of bonds, with considerable volatility and a survivorship bias in the data. Indices such as the Mei Moses index attempt to measure the price development of works sold more than once at auction. Despite these limitations, art has a place in the portfolios of wealthy individuals, mainly because of the pleasure and social prestige it provides, its function as a store of value in times of inflation and its usefulness as collateral.²

Attempts to make art more liquid through financial engineering have had mixed results. Art investment funds, which pool investors' money to buy works and sell them after a period of years, have been launched in several countries, with few lasting successes. Fractional ownership platforms allow investors to buy shares in individual works. More recently, tokenisation has been proposed as a means of dividing ownership of works into digital tokens that can be traded on a blockchain. These models raise legal

questions under financial market law, including whether the tokens constitute securities and whether the platforms require authorisation. They also raise practical questions about the custody of the underlying works. Part E discussed crypto-assets and digital assets in the context of wealth planning. The same considerations apply to tokenised art.³

1 Notes

1. On Hans Holbein the Younger's double portrait of Jakob Meyer zum Hasen and Dorothea Kannengiesser (1516) and the Darmstadt Madonna, sold in 2011 to the Würth collection, see Part B, Chapter I, and the sources cited there. Price to be verified. ↩
2. On the returns on art as an investment and the methodological problems of measuring them, see Mei/Moses, "Art as an Investment and the Underperformance of Masterpieces", *American Economic Review* 92 (2002), 1656–1668; Goetzmann, "Accounting for Taste: Art and the Financial Markets over Three Centuries", *American Economic Review* 83 (1993), 1370–1376; and Renneboog/Spaenjers, "Buying Beauty", *Management Science* 59 (2013), 36–53. To be verified. ↩
3. On art investment funds, fractional ownership platforms and the tokenisation of works of art, and the questions they raise under Swiss financial market law (FinSA, FinIA, the DLT Act of 2021), see the FINMA guidance on initial coin offerings (2018) and the specialist literature. Status to be verified. ↩

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