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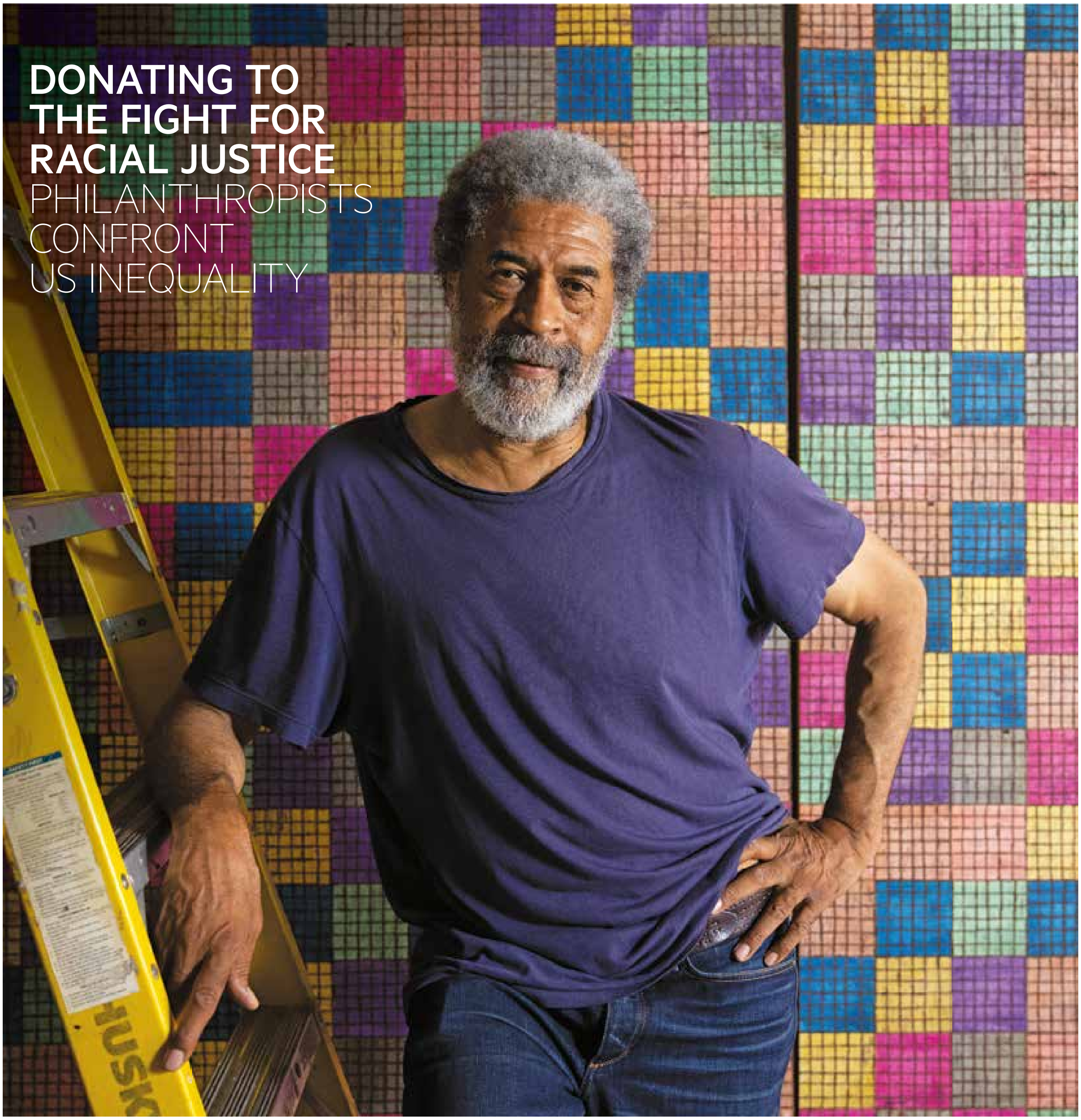
# FT wealth

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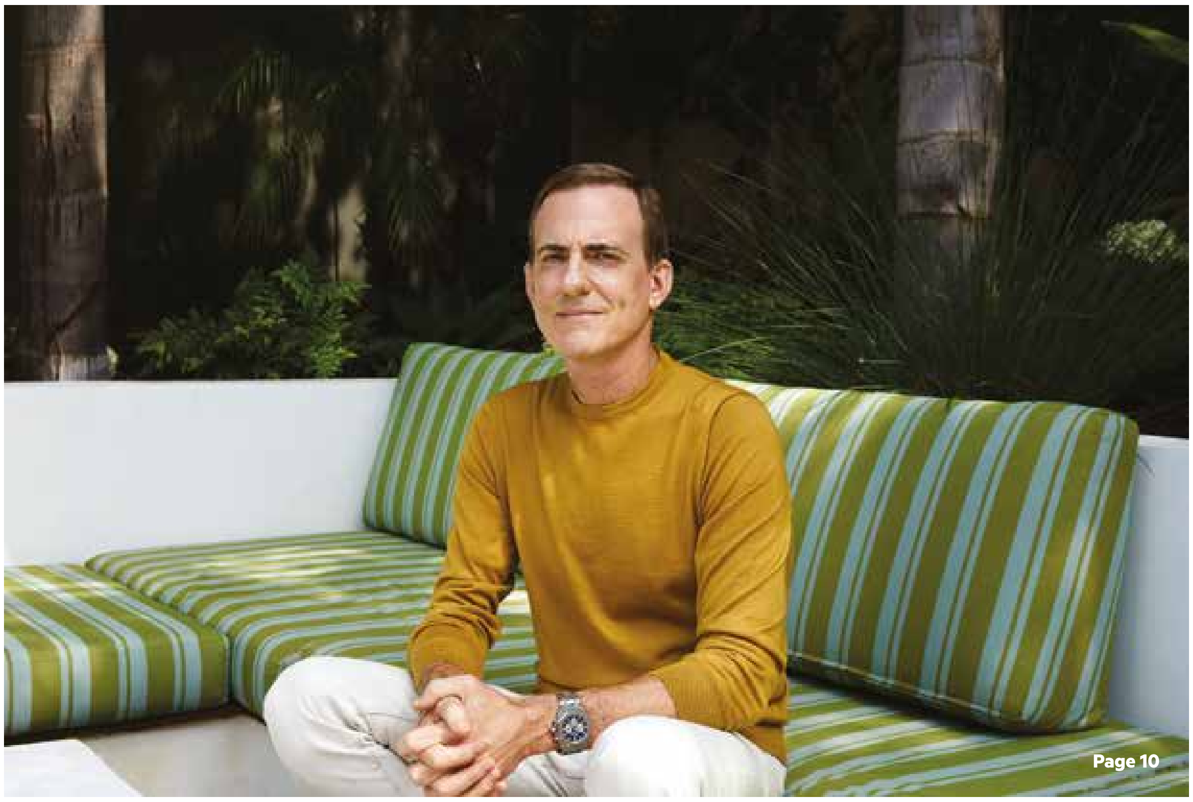
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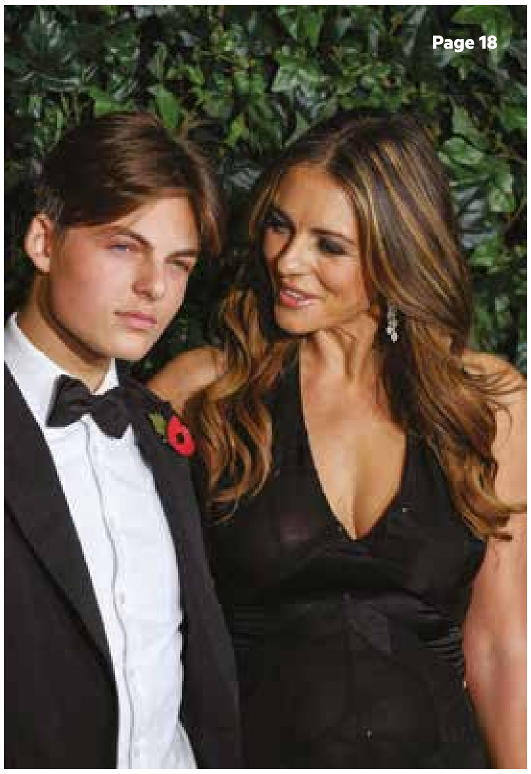
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# TOKENS OF APPRECIATION

## DIGITAL PLATFORMS ARE CHANGING THE FACE OF THE ART MARKET, GIVING YOUNG NOVICE COLLECTORS AN ACCESSIBLE WAY IN

BY HELEN BARRETT

There he stands in the middle of a Mayfair gallery, $90,000-worth of fine, milky marble chiselled into the shape of a male torso: headless, fig-leaved and gloriously visible. His name is Kouros, but he could be a waiter in a West End café or a gym-obsessed banker over in the City of London, because large parts of his shoulders and back are obscured by an enormous, psychedelic tattoo.

"Kouros" is the work of Fabio Viale, an Italian sculptor who takes fine stone, chisels it into replicas of classical statues, then inks tattoos on their marble flesh. He has adorned the neck of Michelangelo's "David" with wings, and the shoulders of the "Venus de Milo" with flowers. Viale's work may not be to older collectors' taste, but it has been exhibited at galleries and art fairs all over the world.

"Viale really resonates with the millennial generation," says Elio D'Anna, co-founder of Artcels, the online art investment platform behind the exhibition at Hofa Gallery. (After exhibiting in London in the spring "Kouros" travelled to the Greek island of Mykonos for another show.)

Also at Hofa were a glossed-porcelain Jeff Koons "Balloon Rabbit", a Yoshitomo Nara woodcut and relief prints by the cult African-American artist Nina Chanel Abney, along with a couple of works by Banksy — signed screen prints of "Girl with Balloon" and "Grin Reaper".

But this is not a conventional exhibition. On offer are not the works themselves but a chance to make money from art in a new way. It works like a traditional art fund, the difference being that proof of ownership is recorded on the blockchain. Artcels even launched its own Swiss-based cryptocurrency, Artem, last year to facilitate trades on its platform.

An initial 320 shares in the fund — called Millennials — were released in April at a price of £1,000 each in the form of non-fungible tokens, or NFTs. These are lines of code locked into the blockchain, an encrypted record of ownership; each token is unique to the share it represents.

The fund gives wealthy young investors a way to buy and own shares in instantly recognisable works by bankable, international artists of their own generation — but using currencies and forms that older generations are unlikely to, and possibly do not trust or even understand. Critics of NFTs may distrust the novelty of the form and its intangible nature, but fans see NFTs as secure — in that they cannot be copied — and more easily tradeable than units in traditional art funds. Many young investors are using the fund to add art to their portfolios for the first time.

"The gain is the diversification, buying into 12 artists with a strong following. And very high value auction results," says D'Anna. (According to Artnet, an art price database, the market for Banksy's works has tripled in value since 2019.) "That's the criteria. And it resonates strongly with a millennial culture, especially in Japan, China, America and London."

Investors stand to make money when the works are sold. London-based Artcels launched its first fund, XXI, in February 2020, selling all the shares immediately. More than 90 per cent of the artworks have since been sold, it says, with "a double-digit net return" paid to investors last February — net profits accrued are paid as dividends annually. The company has not yet published data on Millennials but says it has accepted offers in principle for more than half the 12 works. The value of the portfolio at Millennials' first release was just over $1m, which the company describes as an "internal valuation" (an external valuation by Doerr Dallas was 23 per cent higher, the company says).

A selling point of NFT funds is the reassurance they give to those investors who are prepared to trust blockchain in principle. Encrypted, and thus essentially indelible, they ▶

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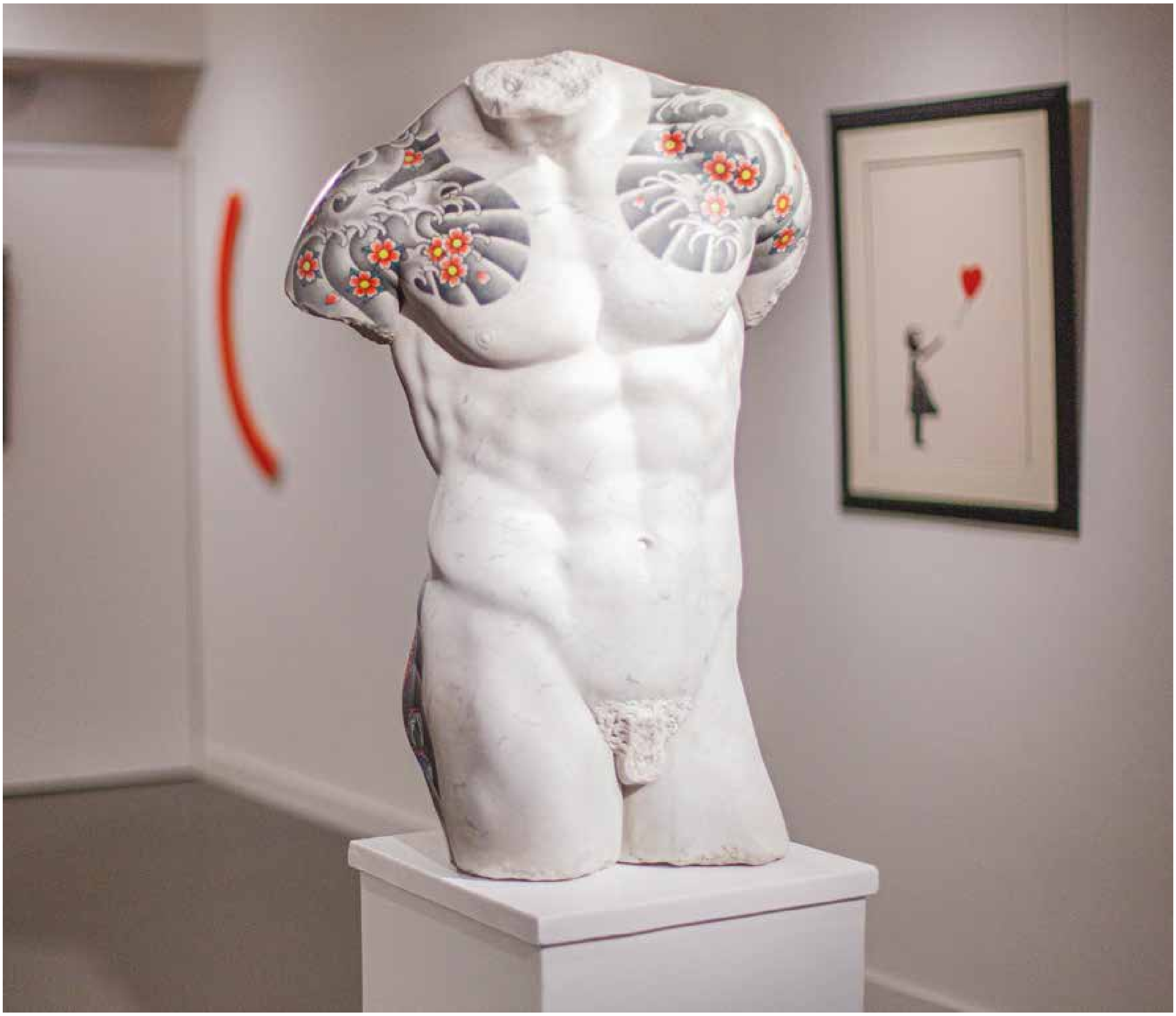

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**1**
'Kouros' by Fabio Viale

**2**
Nina Chanel Abney's 'Temporary Friends'

**3**
A porcelain edition of Jeff Koon's 'Balloon Rabbit'

**1**
Davide Uglietti
**2**
Jos van Basten
**3**
Justin Sun

cannot themselves be lost, destroyed by fire or faked. It is still possible, of course, that the underlying artwork turns out to be fake — here the buyers must trust the gallery and its authenticators, as they must with conventional art funds. But if they are sure of the authentication, investors who trust bitcoin will have faith in the value of the NFT.

In the wider art market, some NFTs are works of art that exist only in virtual form as digital files, with no underlying physical piece — for example, "Everydays: The First 5000 Days" by Beeple, aka digital artist Mike Winkelmann, which sold at Christie's in March for nearly $70m.

But Millennials is a hybrid: a physical collection backed by crypto security. Investors receive a certificate of ownership — a share certificate — in the form of an NFT, along with a paper copy and a printed catalogue. Millennials may be a modest fund in a global art market worth $50bn this year, according to Art Basel and UBS estimates, but it is playing a long game. It is targeting the next generation of rich collectors, many of whom will grow wealthier, collect more and become increasingly sophisticated in their artistic taste and knowledge.

The value of the global art market shrank 22 per cent last year as fairs, live auctions and exhibitions were cancelled. But online sales reached a record high of more than $12bn, double the previous year's total. Dealers of works worth $10m-plus more than tripled their proportion of online sales to 47 per cent. The explosion of interest in and value of cryptocurrencies during the pandemic, and the rise of NFT artworks in the past year, are set to change the market further. "That's the whole concept of NFTs…seamlessly acquirable through technology, tapping into a broader audience, giving the young an opportunity to collect. It will sustain the art market for years to come," says D'Anna.

The art world will learn a lot from the rise of NFTs, with the power shifting to younger people and the blockchain improving transparency on ownership and boosting royalties for artists, says Sibylle Rochat, founder of Rochat Art Consultancy, who advises private and corporate clients on building and managing their collections. She says the art world's gatekeepers — galleries, auction houses, advisers and dealers — are aware of the potential for NFTs to upend the art market and how wealthy young collectors will adapt to it. Only three of the 33 bidders for Beeple's work, for example, were previously known to Christie's, and 64 per cent were millennials or from Generation Z.

In March, Justin Sun, a 31-year-old Chinese technology entrepreneur and founder of social media app Peiwo and cryptocurrency platform Tron, launched the Just NFT Fund, which is in the same mould as Millennials, though more valuable. Sun's fund holds about $30m worth of works, including a 1932 painting by Picasso called "Femme nue couchée au collier (Marie-Thérèse)", for which Sun paid $20m. Sun said on Twitter that he submitted a losing bid for the Beeple work. In a blog post, he said he estimated that half the world's "top-notch artists and artworks" would be recorded as NFTs in the next decade.

Jos van Basten, a 35-year-old Netherlands-based investor, says he bought into Millennials, not because of the blockchain features but because it offers a way into art collecting that bypasses an intimidating world. "I always thought I should diversify my portfolio and invest in art, but I never got to it," says van Basten, an actuary. "Then last year, when Covid hit and markets dropped, I thought, OK, maybe now is the time. But I know nothing about art. A picture is either pretty or not, to me."

Van Basten paid for his shares in conventional currency. "I'm kind of an old millennial," he says. "I've dipped my toe into the wider [cryptocurrency] market, but it's quite volatile. Art seems to be a more stable investment."

Davide Uglietti, an Italian in his thirties living in Switzerland, is another "curious" investor. He has invested 5-10 per cent of his portfolio in art funds, including Millennials and the more traditional Masterworks, a US platform for buying and selling shares in a portfolio with more than $150m worth of paintings, including works by Mark Rothko and Keith Haring. Uglietti, a physicist, says he was initially cautious about investing in living artists — "you need 50 years, maybe more, to figure out who is outstanding" — but he decided to try. "Some I really didn't like. But you do it because you like it or because you want the profit." Crypto features, he says, do not interest him.

Do purely digital artworks have a future? Rochat has seen a rise in interest in original memes and videos, the digitalised memories from key moments in popular culture, sold as NFTs among young art investors. "My clients want their collection to reflect the time they've been living in," she says. "They ask me to buy one or two for their collection, not to speculate or be part of any bubble but just to reflect this time. They want to participate in a new language. What the art world has lacked for a long time is a new way of consuming collectibles."

Can wealthy investors of the millennial generation be persuaded to buy intangibles? Van Basten says he would not hesitate to buy digital artworks in the form of NFTs. "You can't hang it on your wall, but it definitely has value. It's not physical, but it's still something someone made, a digital asset, which is definitely appealing."

When they are not on display in a gallery, Viale's "Kouros" and the other works are stored in a vault deep beneath London. If investors want to admire a piece, they can make an appointment. Gazing at a physical portfolio may be reassuring, but the fact that the technology that backs that portfolio's provenance is invisible does not make it meaningless. For wealthy young collectors new to the art world — and its rarefied institutions and opaque codes of taste and refinement — the intangible may represent the future. ●

PHOTOS: ARTCELS; RONALD PATRICK; JEREMY MEEK; BLOOMBERG