



Università Commerciale  
Luigi Bocconi

BAFFI CAREFIN  
Centre for Applied Research  
on International Markets, Banking,  
Finance and Regulation



FONDAZIONE  
RICCARDO CATELLA

# Andrew Rozanov

Chatham House, Associate fellow

Milano, 27 ottobre 2016



Università Commerciale  
Luigi Bocconi  
BAFFI CAREFIN  
Centre for Applied Research  
on International Markets, Banking,  
Finance and Regulation



FONDAZIONE  
RICCARDO CATELLA

# Art & Heritage as an Asset Class

Andrew Rozanov



# Five Key Trends in Long-Term Investment

- Increasing appetite for less liquid assets traded in private markets
- Increasing focus on 'thematic investment' (global, cross-asset)
- Increasing incorporation of social impact and sustainability factors
- Increasing preference for direct investment and in-sourcing
- Increasing emphasis on peer-to-peer collaboration / co-investment



# Actual Case Study: British Rail Pension Fund

- Challenging macroeconomic and financial conditions in 1973
- Focus on capital preservation, inflation protection and diversification
- Investment in a broadly diversified portfolio of art (c. 3%; 2,400 objects)
- Long-term commitment over a quarter of a century (1974 – 2000)
- Active management (e.g. collection upgrades, lending of artworks, etc.)
- Performance: cash IRR of 11.3% p.a. (= real return of 4.0% p.a.)



# New Idea: Cross-Border Cultural Arbitrage

- Italy, France, Russia
  - “Heritage-rich, cash-poor”
  - Limited (and decreasing) fiscal space to support local heritage assets
  - Recently established and active catalyst-type SWFs
- Abu Dhabi, Qatar, Singapore
  - “Cash-rich, heritage-poor”
  - Focused on developing world-class cultural and tourist centres
  - Long-standing intergenerational savings-oriented SWFs