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**GMF LiveChat: Emily MacDonald-Korth and James Korth, founders, the Art Preservation Index or APIx**

Jeanine Prezioso Please welcome James Korth and Emily MacDonald-Korth who are here to discuss the APIx, or index for valuing art.

Emily MacDonald-Korth APIx Hello, thanks for having us

James Korth APIx Yes thank you

GMF Guest #1 Hi Emily and James

James Christie Hi, welcome

Jeanine Prezioso Hi Emily, James, thank you for being here.

Jeanine Prezioso First, may we ask how you devised this index?

Emily MacDonald-Korth APIx Sure, the Art Preservation Index/APIx was created by an art conservator (myself) and an investment banker (my partner).

Emily MacDonald-Korth APIx As an art preservation professional, I routinely work on paintings that have condition issues from materials the artist used, and the clients were unaware of such risks when the artworks was purchased

Jeanine Prezioso (And for some background here is the web address:  
<http://www.artpreservationindex.com/>)

Emily MacDonald-Korth APIx I visit galleries and museums regularly and see artwork sold for huge amounts of money, and I know these some of these works will not last a decade

Jeanine Prezioso That's interesting.....

GMF Guest #1 so you weigh in the materials used to create that piece of art and try to determine how long it'll last or stay in

- those conditions that justify the money paid for it?
- Emily MacDonald-Korth APIx My partner and I got together and designed the APIx. The Art Preservation Index / APIx is a stability rating system for fine art to standardize the measurement of stability risks for blue-chip artwork.
- Emily MacDonald-Korth APIx Yes. The APIx evaluates the stability of the materials used to make the art, their application, condition, and a number of other factors – and rates the artwork based on projected longevity. To the investor, the APIx is a system to reduce and protect investment risks for fine art.
- GMF Guest #1 do you consider supply/demand as well? something like (fictional) "there is this van gogh and nobody wants a van gogh those days so you better get rid of it"..
- Emily MacDonald-Korth APIx In 2014, the art market made \$66 billion in global sales. The APIx creates transparency in the art market.
- James Christie **Is the index used prior to a purchase of art in a negotiating capacity?**
- Emily MacDonald-Korth APIx No, the APIx does not consider trends in the art market. The APIx evaluates the projected longevity of the artwork. We do not put a monetary value on the works.
- GMF Guest #1 i see
- Emily MacDonald-Korth APIx Yes, the APIx Stability Rating can and should be used in a negotiating capacity.
- James Christie **And for insuring it as well?**
- Emily MacDonald-Korth APIx Yes, insurers will likely adopt the APIx happily. Much less risk.
- Jeanine Prezioso What are the criteria by which you judge a piece of art?
- Emily MacDonald-Korth APIx Here is an example, Mark Rothko is a celebrated painter whose works sometimes sell for over \$50 million. Experts know the materials Rothko

commonly used to paint his remarkable color studies are unstable. Yet a Rothko painting, almost certainly painted using similar light-sensitive colorants, recently sold at auction for over \$56 million. This new buyer, for example, would have been alerted to the vulnerability to fading if APIx had been consulted prior to purchasing the investment. The Rothko case is just one of thousands.

Emily MacDonald-Korth APIx Judge is not exactly the correct word, the APIx rates artwork based on projected stability. There are a multitude of factors that go into the rating of an artwork, such as materials used to make the art, how those materials are applied, how they interact individually and with one another both chemically and physically, the size, date, and condition of the artwork, and known conservation/preservation concerns for similar works.

Emily MacDonald-Korth APIx For example, a sculpture made of found objects – perhaps plastic the artist picked up off the street – is made from materials that are not designed to last. This artwork, in theory, would receive a lower stability rating than a painting made of high-quality artist paints.

Jeanine Prezioso Ok, so rate, much like the S&P rates a bond offering? So does the "rating" then fluctuate?

Emily MacDonald-Korth APIx Many materials artists use today, such as newsprint and magazines, house paint, and low-quality glues are not made to last, these are manufactured to have a short lifespan because it serves the intended purpose of the material. It is more expensive to make materials that last, and more expensive to purchase them as well.

Emily MacDonald-Korth APIx Robert Rauschenberg often used

discarded remnants of posters and flyers that fade rapidly - and other multi-part sculptures require careful packing and complex installation techniques that require great caution to prevent traumatic damage to the objects. These factors influence the Stability Rating.

Emily MacDonald-Korth APIx Yes S&P ratings are a perfect example.

Walden Siew *What type of work does well during a recession or during economic downturns? I read a recent story about Sotheby's auction sales hitting a record last year, or at least the highest since before the recession in 2007. Or is the art market relatively recession proof?*

Emily MacDonald-Korth APIx Ratings can fluctuate. More information about art materials are revealed all the time, ratings will be reassessed when new information is released. Also after every resale.

Emily MacDonald-Korth APIx The art market is NOT recession proof.

GMF Guest #1 do you rate only actual pieces, like you need to take a look at them or do you also have some kind of a risk matrix or similar calculating a potential risk for specific artists? (like you've indicated with that "rothko

color problem"

GMF Guest #1 no smiley intended..

Emily MacDonald-Korth APIx The market is back up to almost record levels, it's true.

Emily MacDonald-Korth APIx Yes, the APIx needs to look at an artwork prior to rating the piece. But there is also a matrix to calculate risk and the resultant Stability Rating.

Emily MacDonald-Korth APIx We examine the actual art object, all documentation about the art object, and compare the survey results against known data to derive a rating.

James Christie A few years ago I reported a story on how drawings were getting hot in the art market (in the US) as they provided a cost effective way to start collections. Is that still the case or are there other types of art emerging for would-be collectors?

Emily MacDonald-Korth APIx Drawings are a great way to start investing. Many are affordable for a new collector, prints as well.

Jeanine Prezioso I have a multipart-part question....roughly how many pieces of artwork have been rated by APIx? Does the rating make it more valuable? And can you provide an example for some baseline comparison?

Emily MacDonald-Korth APIx And many works on paper are easy to buy online.

Emily MacDonald-Korth APIx APIx is currently carrying out provisional ratings. An APIx-rated work means that an artwork has been assessed for projected longevity – something that is not currently examined before works are sold. Each Stability Rating Report will include details about the artwork, the Stability Rating, and rating rationale. Other additional features such as high-resolution photodocumentation, scientific analysis, and preservation recommendations will be available. The Stability Rating Report itself will be extremely valuable, and will not doubt increase the value of the artwork it describes.

Emily MacDonald-Korth APIx Early adopters of the rating system are Robert Fontaine Gallery in Miami, and SourceCulture in Oxford, England. Perhaps they will be the first to see the outcomes.

Jeanine Prezioso Thank you for that.

Jeanine Prezioso GMF any questions for Emily or James?

Emily MacDonald-Korth APIx Here is another example: A triptych by the painter Francis Bacon sold for \$142.4 million at Christie's. The APIx knows that Bacon's works sometimes suffer from flaking paint, powdery paint, fading, and cracking. If the APIx had the opportunity to rate Bacon's triptych, both the seller and the buyer would have been alerted to the potential dangers for the painting and could have received, as part of the Stability Rating Report, conservation and preservation recommendations for the painting.

GMF Guest #1 you have some deals with christie's or similar auction houses?

GMF Guest #1 how one would find you?

Emily MacDonald-Korth APIx No, we don't have deals with auction houses at the moment, but we are interested in such a collaboration.

Emily MacDonald-Korth APIx Our website is ArtStability.com

Emily MacDonald-Korth APIx Information on the index and how to contact us for ratings can be found on the site

GMF Guest #1 thanks Emily

Jeanine Prezioso Emily, one more question.... They say when people want to invest "extra" money, they buy four things: Real estate, wine, horses and art. How does your index help an investor decide whether or not to buy a piece of art versus making another investment?

Walden Siew thanks, apols for the interruption

Emily MacDonald-Korth APIx The APIx helps inform the investor about possible risks for an otherwise unregulated market.

Jeanine Prezioso Thank you again. Anything you would like to add?

Emily MacDonald-Korth APIx The APIx lets the investor know that the piece they may acquire might not last longer than a single generation, or on the other hand - it will be stable for a century.

Emily MacDonald-Korth APIx Thanks very much for having us!  
Jeanine Prezioso This has been great, thank you both  
for your time.  
Emily MacDonald-Korth APIx Thank you  
James Korth APIx Thank you







