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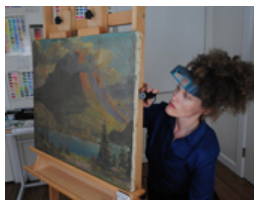

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Thinking Of Investing In Art?

Oct 7 2014 | 9:18am ET

If you pay \$86.9 million for a work of art (as did someone for Mark Rothko's 1961 painting *Orange, Red, Yellow* at a Christie's auction in 2012), you might be forgiven for wanting to know how long it will last. **Emily MacDonald-Korth** can help you with that.



Emily MacDonald-Korth

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Korth, an art conservator and conservation scientist, has teamed with her investment banker father **James Korth** to launch the Art Preservation Index, or APix, which rates works of art according to the stability of their materials. The Korths, who applied for a patent on their index earlier this year, hope to serve a variety of clients, from individual art lovers, to galleries, auction houses and insurance companies.

Mac-Donald Korth spoke recently to *FINalternatives'* **Mary Campbell** from Los Angeles, California, where she is based.

What was the genesis of the APix?

The APix came out of me being so inherently involved in art and seeing the results of problems with materials and at the same time seeing the amount of money that people are paying for art with zero knowledge about the materials it's made of, when the information about the materials...is known. Experts know, and there's no venue to share that information with people who buy art. This is a way to create that venue.

How does the APix work?

How it works is, someone requests a rating—it could be a gallery, a collector, it could be an auction house. If it's a painting, I...or one of the representatives who's trained by me, goes to examine the actual painting. We do a multi-level assessment of the painting, we look at the materials, the condition it's in, how the whole thing is constructed, then we get all the background information that the owner or the broker has about the work...Then it goes into a research phase where all the information that we have collected is compared to our database, to look at specific materials that the painting is made of and how they react over time, and relate that to known problems that have happened with this specific artist before. A lot of times, there are known issues with artists, so we take those into consideration. There are plenty of artists that don't have any record of [problems] and I instead give my opinion...But we quantify, essentially, all of those different factors into a rating.



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Videos

Mike McKitish Of Peddie School's Endowment Encourages Managers To Discuss Weaknesses

Sep 22 2014 | 4:15pm ET

"I tell people that everybody likes good news and so if you have good performance that's wonderful," explains Mike McKitish of Peddie School's endowment, "but it's the people that want to talk about the bad news or where they drifted and how they came back and how they stayed to their discipline..." that he wants to hear from. [Read more...](#)



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- Bitcoin price swoon illustrates volatile, illiquid nature of trading market
- Top 20 largest gold reserves by country (2014 Edition)
- Gold prices in India remain stable

We're patent-pending right now, so the patent is not completely finalized, but the way the provisional ratings work, which I think is how the final ratings will work also, is AAA, AA, A, BBB, BB, B CCC, etc.

What are some examples of art deterioration?

Both Picasso and Pollock are known to use a mix of artists' paints and house paints to sometimes problematic consequences—like rippling and cracking—because of the combination of two different kinds of paint that really shouldn't be used together. And there are multitudes of cases of this that we have seen in my field. It's a known problem.

Another example is Damien Hurst's famous sculpture featuring the carcass of a shark in a tank of formaldehyde. That piece sold for millions and it actually decayed so severely that the shark itself had to be replaced...Most people don't know this, but we do—and other people should.

Another example is a Claes Oldenburg sculpture. He used all kinds of materials, but the one in particular that I have firsthand knowledge of is giant stuffed fabric sculptures. They're painted fabric, which has its own problems, but it's stuffed with polyurethane foam and cardboard boxes and these stuffing materials...shrink and crumble over time... The inside becomes smaller, causing the outside to collapse. It causes all kinds of problems...because not only can it not be shown in that state, but you have to pay conservators to fix it, which is hugely expensive.

You mentioned a Rothko painting (*Red, Blue, Orange*) in the APIx press release, what is the problem with Rothko's paintings?

Rothko is widely known to have not only fading problems but another problem where white powdering develops on the surface of the painting. The fading occurs because...there are different grades of colorant. Colorant can be pigment, it can be dyes, there are different things that make the color of paint and there are all different qualities of these colorants. Rothko...needed to mix his own paints to achieve the beautiful spectrum that he wanted to create. The way he did that was by mixing all kinds of different colors together. Unfortunately, he quite often used unstable colorants which are very light sensitive, and end up fading and once they fade, the painting looks completely different...And because he used very thin applications of paint, it's almost impossible for conservators to be able to treat the paintings;...anything that we do to the surface is visible because it's such a thin layer of paint.

At Harvard they're projecting different light onto the Rothko murals because the conservators could not retouch them properly, so instead they got universities from around the world to make light projections of the paintings onto the paintings. Luckily it was universities doing it so the cost was low, but if you were trying to get that done privately, it would be a hefty sum. Now, if they knew ahead of time about these kind of dangers, they may have still paid \$56 million for it, sure, but they would have received information in the APIx stability report about preservation and conservation recommendations. They would be informed of what they were purchasing,

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Ex-Harvard Endowment Bosses Make \$1 Billion In A Day With Biotech Bet

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Rosenstein Buys \$147M Hamptons Estate

Tudor To Shut Quantitative Tensor Fund

Editor's Note



Must Attend Hedge Fund Charity Events For October

Sep 30 2014 | 9:29am ET

The crisp Autumnal days of October are upon us, and so are a few of the hedge fund industry's favorite charitable events. If you have never been to Rocktoberfest, well, you are missing out. And for a quieter evening of sipping and socializing, stop by HFC's Wine Soiree. [Read more...](#)



Upcoming Events

Hedge Fund Rocktoberfest - Chicago

HFA: Alternative Investing In An Era of Record Corporate Profits - Chicago

HFC Asia Inaugural Event - Hong Kong

Hedge Fund Rocktoberfest - New York

Sohn Canada Conference - Toronto

the possibility of fading, and how to mitigate that risk.

What about new media? Digital art, videos?

That is a really interesting area in conservation...There are people who specialize in preservation of 'time-based' media, which is what that's called, and what it means for conservation....Is the art the video? Is it actually the image that is the video or is it the magnetic information on a video tape? Which is the real object?

The ethics for all of this are not completely set yet; this is a progressive area. And it's very different—the ethics of time-based media conservation are different than painting conservation and they need to be, it's not the same thing...They're now basically saying everything needs to be copied, over and over, lots of digital copies. Put the original in a freezer, hope to keep it for as long as you can, and have a bunch of other copies for when the original finally self-destructs.

Do you also offer tips on storage or display?

Absolutely. There are a number of things that we offer in the rating package...The essential stability rating report will include a detailed description of the artwork, it will have the stability rating...and a written discussion of the rating rationale, how we got to that rating, and then optional features can be added such as high-resolution photo documentation in visible and ultra-violet light; an assessment of the current condition of the artwork with explanatory diagrams, so a full condition assessment; the results of the background research on the artwork and the artist; more in-depth discussion on the rating rationale; conservation, and preservation recommendations, which would include display recommendations and storage recommendations; and any scientific analysis that we would carry out to characterize the materials used in the artwork.

What is your goal for the APIx?

I would like to see it become an industry standard. The cost of the stability rating report is going to be prohibitive for works that are less expensive, but any work that is over \$20,000 or \$30,000 should have a stability rating associated with it. I think people, once they realize that they're investing in assets that they don't understand, are going to recognize that it's worth the extra bit of money, a small percent of what they're paying for the artwork, to get more information about it.

How much does it cost?

The basic essential stability rating report is \$1,975 and then all the other optional features are additional fees.

Can art still be valuable despite serious damage?

It's not going to be worth \$56 million, but even a Rothko that is faded, unless it's faded beyond any hope, will still be worth money. And, something interesting to point out is...there are insurance companies that specialize in insuring only art...(I think that this is...another industry that is going to want to adopt the APIx)...When a piece of art gets damaged or deteriorates really terribly, the insurance company can total out the artwork, like a car, and say, 'It's too expensive, it costs more to get it fixed

than it's worth'...I've seen this a lot because I've worked in museum conservation labs where often they'll donate that totaled artwork to us for research. So we get to study these irreparable paintings from famous artists.

Do you consider art a good investment?

Oh yeah, absolutely. I am art's biggest advocate. Art is my life, I love it. Art is only valuable because people love it...I want people to invest in art...I'm a collector myself. I can't possibly afford a \$56 million Rothko but I collect what and when I can and hope to continue doing this throughout my life and I absolutely think people should continue investing in art, they just need to be more informed about their investment.

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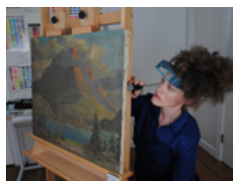
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Oct 7 2014 | 9:26am ET

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Lifestyle



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Oct 6 2014 | 12:10pm ET

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Oct 7 2014 | 6:36am ET

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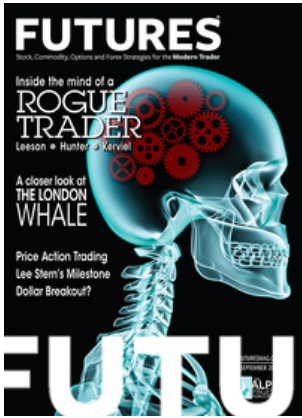
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