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The Collectors Fund hopes to craft a second masterpiece of returns for investors

by David Twiddy, Staff Writer

Buoyed by the success of its first foray into the art investment arena, The Collectors Fund Inc. plans to start a second fund later this year.

The roughly $20 million Kansas City-based fund, started in 2007 and closed to new investors in December, has generated an annual net investor return of 28.5 percent.

“When you compare that to other complementary indices … there aren’t too many things out there, that I’ve invested in anyway, that have averaged 28.5 percent a year over the last three years,” said Sandy Kemper, executive chairman of the fund and a founder.

The fund, with investors who include about 100 wealthy families, has bought middle-market works from 20th- and 21st-century American artists. The works eventually are sold at auction, with investors sharing 40 percent of the gains and the remaining 60 percent reinvested in the collection.

Kemper said the fund has sold about 15 percent of its holdings.

“If you keep a price discipline and quality discipline and don’t get caught in the fad of the moment, you’ll probably do pretty well, whether it’s in the asset class called art or stocks,” he said.

Kemper said the second fund probably will be opened in September, with an aim of raising $50 million. It would look to buy art valued between $500,000 and $1.5 million, compared with the initial fund’s limits of $50,000 to $500,000.

The Mei-Moses All Art index, which compares the price of all art sold at auction with what those works previously fetched, rose 16.6 percent last year. That reversed a two-year slump and slightly bettered the Standard & Poor’s 500 stock index. The Mei-Moses index also outperformed the S&P 500 in the five- and 10-year returns.

Enrique Liberman, president of the Art Fund Association, said The Collectors Fund has developed a track record and avoided such pitfalls as mismanagement and lack of investor interest.

The industry is growing quickly but faces barriers to growth, Liberman said, citing the lack of institutional support and expertise.

But he said private wealth managers will come to realize that they’re doing clients a disservice by not offering alternative investment vehicles, such as art.