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Art fund a snapshot of Russian asset class

By Isabel Gorst in Moscow

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Pictures by Tazio Secchiari, photographer of Sophia Loren, pictured, are owned by the fund

At most art exhibition openings in Moscow the social glitterati attract more attention than the works on display. But at an exhibition last week several guests broke away from the fray to take pictures of photographs by the founder of the Italian paparazzi.

The event was held to mark the launch of Sobranie.Photoeffect, Russia's first big art fund, which listed on the Moscow stock exchange last week. Created by Agana, the Russian asset management firm, the fund focuses solely on photographs and includes more than 295,000 original prints from around the world with a combined valuation of \$467m.

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The fund aims to provide annual returns of about 12-14 per cent, said Ekaterina Aleksandrova, deputy director-general of Agana.

Its photos include rare 19th-century works by Joseph-Philbert Girault de Prangey, whose daguerreotypes have raised more than \$800,000 at auctions. Other original prints are by Tazio Secchiari, the personal photographer of Sophia Loren who founded the Italian paparazzi; Henri Cartier-Bresson, the French photographer; and Alexander Rodchenko, the Soviet avant garde artist.

Art funds flourished during the art market boom in 2006-07, but many fizzled out in the financial crisis. Amid rising economic uncertainty they are **regaining momentum** as an alternative to volatile stock markets and sluggish real estate investments.

Russia adopted legislation last year allowing art to be used as a security and the country has entered the art fund business with a splash. With a \$467m valuation, Ms Aleksandrova said Sobranie.Photoeffect was one of the biggest art funds in the world.

Sobranie.Photoeffect differs from typical art funds, which raise money from high net-worth individuals before buying works. In its case a group of Russian collectors, who have remained anonymous, have placed their works in a mutual fund that is offering shares to investors.

"A very new thing is going on in Russia," said Enrique Liberman, art law attorney at New York law firm Tannenbaum Helpert and president of the Art Fund Association. "Art is being recognised as an alternative asset class."

Photography has only recently been caught up in the boom in the Russian art market where prices have risen ninefold in the past two decades. Billionaire oligarchs have accumulated vast classical collections to hedge against political uncertainty and gain kudos from owning Old Masters.

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Anatoly Zlobovsky, one of the art experts evaluating Sobranie.Photoeffect's assets, said: "The Russian financial world has turned to photography because it understands that if giants of business like Bill Gates and Reuters owned collections they should too."

Agana has set a Rbs500,000 (\$16,700) minimum investment threshold for the fund and aims to attract institutional and large private investors. Dividends will be paid from annual sales of about 5 per cent of the fund's portfolio and exhibition fees as photographs are showcased round the world. If the fund performs well, additional listings on international markets, including London and Luxembourg, will be considered.

Experts warned authenticating such an enormous collection would be a challenge particularly as the author, developer and condition of a photograph influence its value. "It's a mammoth and impressive collection," said Mr Liberman. "That being said, it makes me wonder whether 100 per cent of the works are of investment quality."

Michael Moriarty, chairman of Skate Art Market Research, the Moscow-based art consultancy, said: "It's a high number so the fund is going to attract attention. It can get off to a fair start if the valuation is reasonable."

Agana hopes to attract foreign investment in the fund. But art dealers said Russian highlights, including 19th-century portraits of the Tsars and a portfolio of Soviet second world war photographs, were more likely to attract domestic buyers who account for 90 per cent of Russian art sales.

"Russian photographs are a sensible investment," said William MacDougall, director of MacDougall's, the London auction house specialising in Russian art. Agana plans to buy more photographs each year to build a collection encompassing the history of world photography.

"The fund also has a cultural mission. It is not just about money," said Ms Aleksandrova. Sobranie.Photoeffect will offer investors cash, not photographs when it matures in 15 years, most likely via a sale.

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