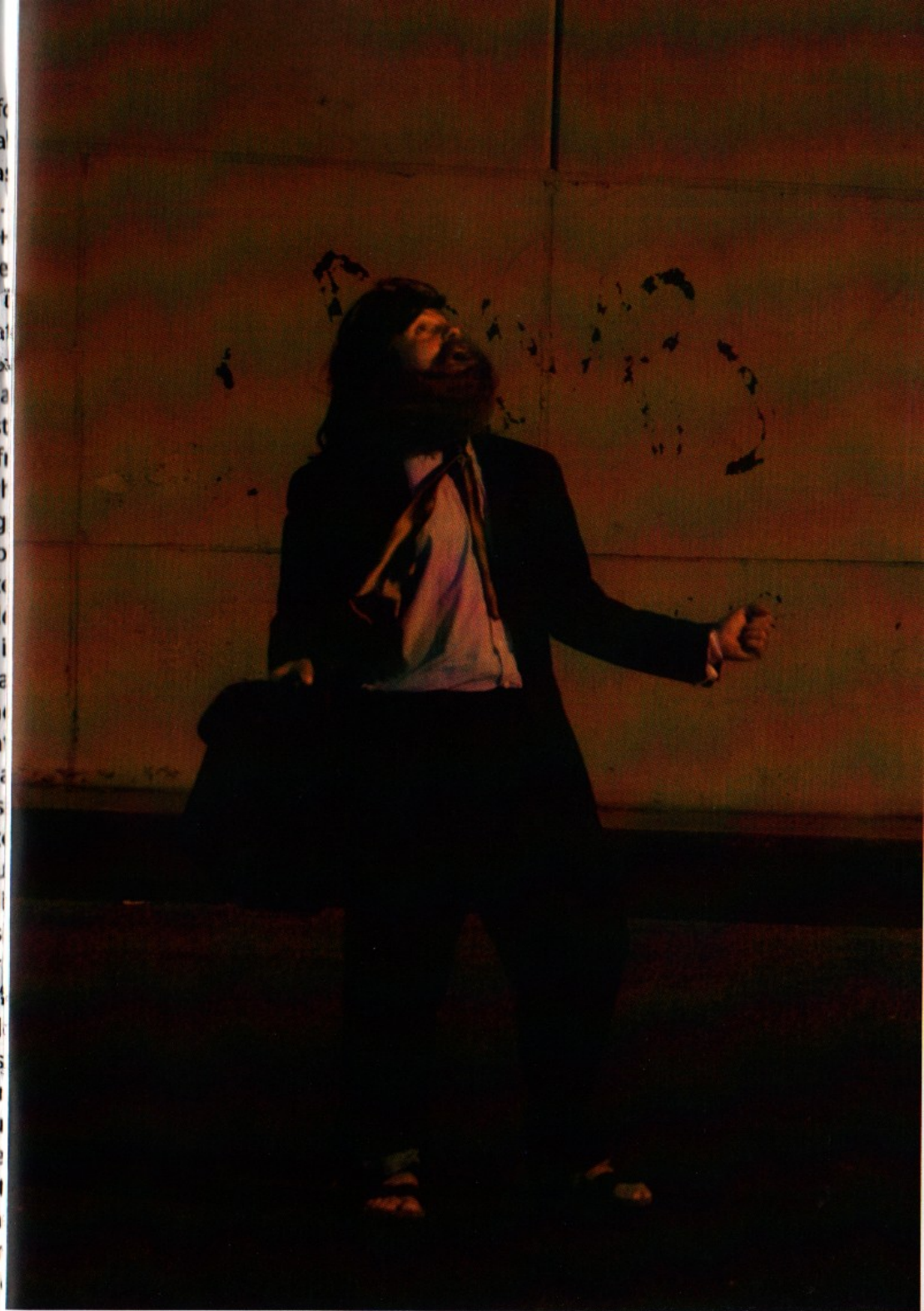




+++++++ ALTERNATIVE OR EXOTIC ASSET CLASS: used to diversify portfolio. wine or classic cars. art, in particular, is an excellent asset class as it traditionally becomes increasingly popular as an investment asset, an excellent asset class. one investment is that when traditional investments perform poorly, art goes up. art produces solid returns and also it has a nice 'dinner party' aspect. ++++++ essential ingredients of economic prosperity: confidence. according to Keynes, he meant this in the sense that, for entrepreneurs in particular, "the thought of failure for us and them, is put aside as a healthy man puts aside the expectation of death." ++++++ ASSET: an asset is something that you can normally buy and sell. when a court judges that a debtor is unable to make the payments owed to a creditor, they fall over a prolonged period. the most recent bear market happened at the start of the 2000s, which cannot be explained by fundamentals, such as the income likely to derive from the asset. Keynes, in the nineties, writing about the then mania in real-estate prices, described "men who were prepared to pay such prices simply because they knew that some still would be left to leave them with a profit". such behaviour is a feature of all bubbles. famous bubbles include the south sea bubble in Britain a century later, and the dotcom bubble in the late 1990s. whether bubbles are the result of irrational crowd behaviour (perhaps coupled with herd instinct) or, instead, are the result of rational decisions by people who have only limited information, is a matter of debate. it may be quite sensible to assume the market price is sound. whatever their cause, bubbles eventually crash. ++++++ COLLATERALISED DEBT OBLIGATION (CDO): an investment vehicle that represents different types of debt and credit risk, each of which has a different risk profile. banks use CDOs to raise up the price of debt products for borrowers. credit crunches are usually considered as a result of it being impossible for companies to borrow because lenders are scared of bankruptcy. a credit crunch during a recession (or slower recovery) resulting from the supply of credit having shrunk. CDOs with underlying assets include stocks, bonds, commodities and currencies, a credit crunch affects governments. ++++++ CREDIT DEFAULT SWAP: a financial product designed to transfer credit risk. The buyer of a credit swap receives credit protection, whereas the seller receives a premium. The availability of debt, and the willingness to take it on, is a crucial ingredient of a credit crunch. to make investments they would not otherwise be able to afford. the price of a CDS is highly dependent upon - or derived from - underlying assets. The derivative itself is highly sensitive to fluctuations in the underlying asset. ++++++ DIVERSIFICATION: not putting all your eggs in one basket. holding several different shares and other assets at one time helping to reduce risk. ++++++ GEOGRAPHICAL ARBITRAGE: the practice of taking advantage of a price difference between two markets struck that capitalize upon the imbalance, the profit being the difference between the two prices. ++++++ involves deliberately taking on a new risk that offsets an existing one, such as a commodity price. ++++++ HEDGE FUNDS: there is no simple definition of hedge funds. relative ones; that is, they concentrate on making as much money as possible.





**View from the Top: Bill Ruprecht, chief executive of Sotheby's**

**By Deborah Brewster and Chrystia Freeland**

**FT .com**  
FINANCIAL TIMES

**Published: July 18 2008 03:00 | Last updated: July 18 2008 03:00**

Bill Ruprecht took over as chief executive of Sotheby's in 2000, after the auction house had been plunged into crisis with the news that it and rival Christie's had colluded over prices. He succeeded Diana Brooks, who was found guilty along with Alfred Taubman, chairman and major shareholder.

Mr Ruprecht, 52, grew up in the American Midwest and in 1980 began his career at Sotheby's in the carpets and textiles department. He was appointed director of marketing in 1986, and in 1994 became head of the North American business for the group.

Mr Ruprecht helped steer the group out of the antitrust crisis, then faced an art market downturn in the early 2000s. Sotheby's is now enjoying a long and apparently robust boom in art prices.

In a video interview with FT.com, he discusses the continuing demand for fine art among the super rich, the growth of interest in Russian and Chinese art and the risks of seller guarantees. Edited highlights are given below.

**The art market is entering the sixth year of a boom. Is it going to last?**

Markets always go up and down and there's nothing about our business which is in a bell jar. We respond to the economic conditions around us. At present our business is unbelievably strong.

**So the financial crisis that we're seeing on Wall Street and in London isn't going to have an impact?**

You're seeing parts of the world enjoying enormous growth and struggling in many ways to contain their growth and other parts of the world like the US that are really suffering under [the] credit crunch and a real lack of confidence and certainty about future times.

**Where are the buyers right now?**

The traditional base of demand in our business is from the areas that have been of greatest wealth creation over the last 100 years. That's the US and western Europe. Now you see growing demand out of the Gulf, out of Russia and China.

The Russian works of art market has shifted dramatically from a very small business four or five years ago when we were selling literally less than \$15m a year. This year we'll sell probably over \$200m worth of Russian art. You're [also] seeing hundreds of millions of dollars on an annual basis in the amount of contemporary Chinese art which is being bought increasingly by Chinese people.

**To what extent now are you helping to finance the purchases of art?**

To our knowledge the marketplace is almost completely unlevered.

People who are buying works of art have the money to spend, wish to spend it and within 30, 60 or 90 days after an auction, typically have deposited those full sums in our account.

**Are the people who are buying these works of art - the super rich - largely unaffected by the economic travails we're seeing?**

If you're very, very wealthy the demand at the top end of the market is something that to date we've seen absolutely no limitation or encumbrance or resistance on.

**Last November when you failed to sell a single Van Gogh your share price fell very sharply and hasn't really recovered since. Did that surprise you?**

The depth of the reaction to the lack of sale of one picture was clearly not really about that picture. It was about a much broader bundle of issues that spoke to what the future will bring. We, like every other public company, don't trade according to this week's results. We trade according to what people expect and project about the future. So far we've been pretty remarkable and confounded virtually all watchers of this marketplace.

**Are you pulling back on seller guarantees?**

We went public with a reduction in our aggregate guarantee portfolio starting with the first of the year. The maximum portfolio of guarantees that we would have taken on last year was as much as \$500m.

We took our guarantee portfolio cap down in the first quarter of this year to \$350m. We never reached that level in the first half of the year. Last year guarantees represented somewhere between 18 and 20 per cent of our total sales volume. So far this year they are a meaningfully lower percentage of our business than that.

**And what motivated that pull back?**

Managing risk - uncertainty as to what kind of demand there would be or how to price individual pictures. In most of the markets that we trade in there are four to six open windows a year. So the objects which we sell in many key markets only trade for six or eight days a year.

**What was the response of sellers to your move?**

Oh, I think some sellers are fascinated and love the idea of a guarantee or a collar. They tend to have to pay quite a lot over and above that collar when something does well. In other words, if you have an object which we guarantee \$10 on, that typically means we'll earn 25 to 35 per cent of every dollar over and above that amount in the auction room in addition to our buyers' premium.

**What other big trends are you seeing?**

I think that the fascination with really the greatest objects that we handle is something that's really accelerated. In other words the difference between a very good object and an extraordinary object has widened. So for the things that are the sine qua non, the greatest objects that the marketplace offers are something that's becoming enormously coveted.

**A sort of winner-takes-all phenomenon?**

Yes, absolutely.



INTERNATIONAL  
**Herald Tribune**

**Ukrainian oligarch becomes international mover and shaker.**

**By Landon Thomas, Jr.**

**International Herald Tribune. Friday, August 8, 2008**

KIEV, Ukraine: There comes a time in the life of an oligarch when spending money becomes more important than making it. And for Victor Pinchuk, who became a billionaire and the second- richest man in Ukraine by cornering the market for steel pipes and cultivating ties with politicians, that time is now.

The long boom in commodities - steel and minerals as well as oil - has created a growing number of billionaires in once destitute economies like Russia, India and Ukraine. Meanwhile, the global credit crunch has set back the ambitions of many of the wealthiest financiers of the West, opening the door to a new breed hungry for art, access and ultimately acceptance.

For Pinchuk, like many of his contemporaries in neighboring Russia, the prizes that they extracted from the ashes of the Soviet Union were a function of political calculation and ruthless business practice.

He has been accused of securing sweet deals on privatizations, especially in the steel industry. One of his privatization deals has been revoked.

"My pipe business I created from scratch, my media assets and bank I bought from the secondary market," he said in his rough, Russian-accented English. "I am trying to be transparent but nobody likes rich people."

In a truly global world, though, success for Pinchuk and others like him will be measured not as much by the size of their fortune but by their ability to use their billions to achieve recognition and sway far beyond the grimy precincts of their industrial triumphs.

But few, if any, have been as aggressive and public in using art, global philanthropy, public policy and even music to advance their agenda as Pinchuk.

Pinchuk's outreach campaign features substantial philanthropy mixed with supercharged celebrity hobnobbing. He is equally at home enjoying a night out with Elton John or a private showing of Jeff Koons's latest sculptures and he can now call upon Damien Hirst to propose a color scheme for his new private jet (the suggestion was blue.)

"I wanted to be a rich guy," he said, recalling those early headlong days. And very soon he was.

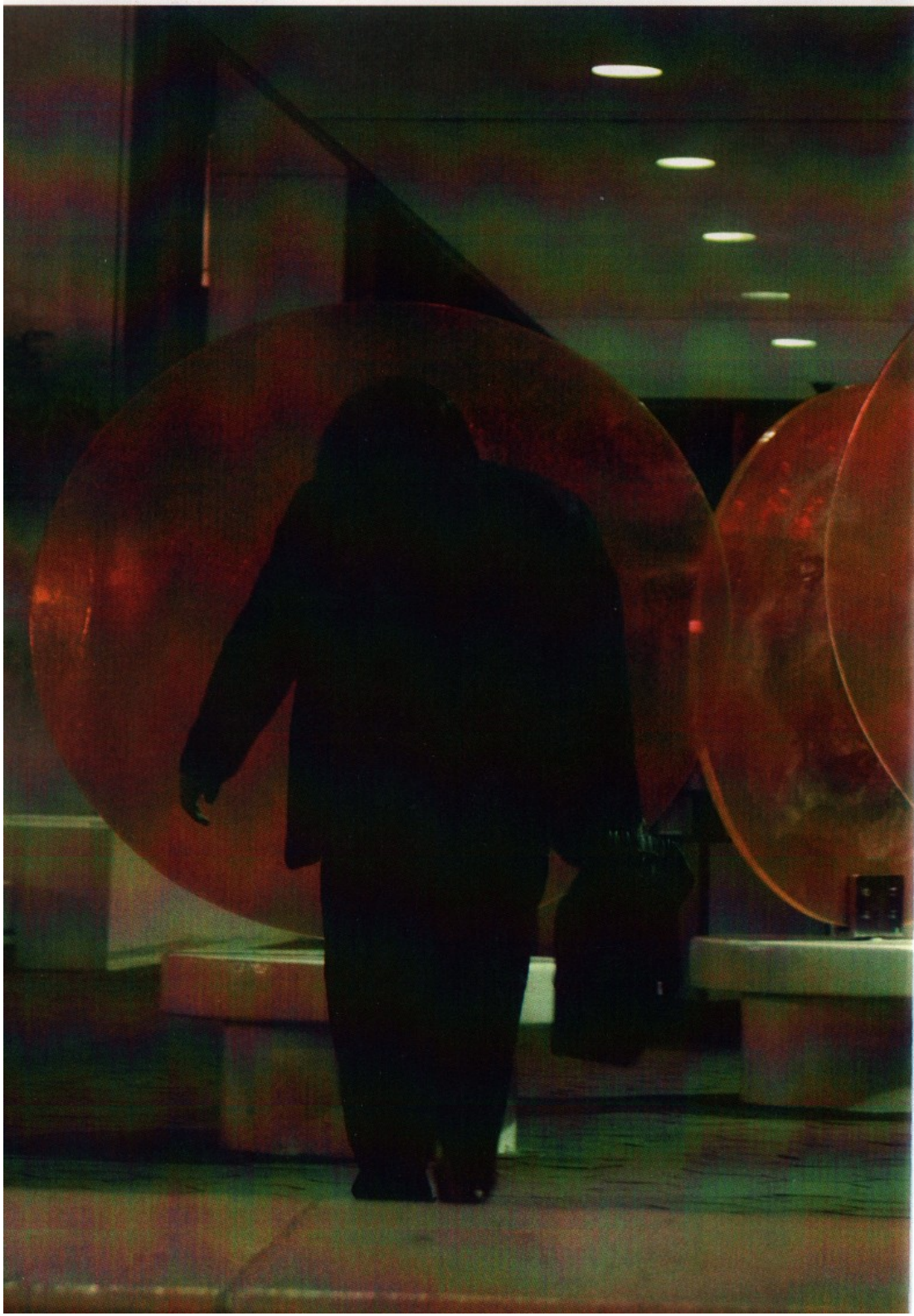
Pinchuk created an industrial daisy chain, reconnecting coal to coke to pig iron to hot rolled coils and finally to steel pipes, taking his own cut at every stage.

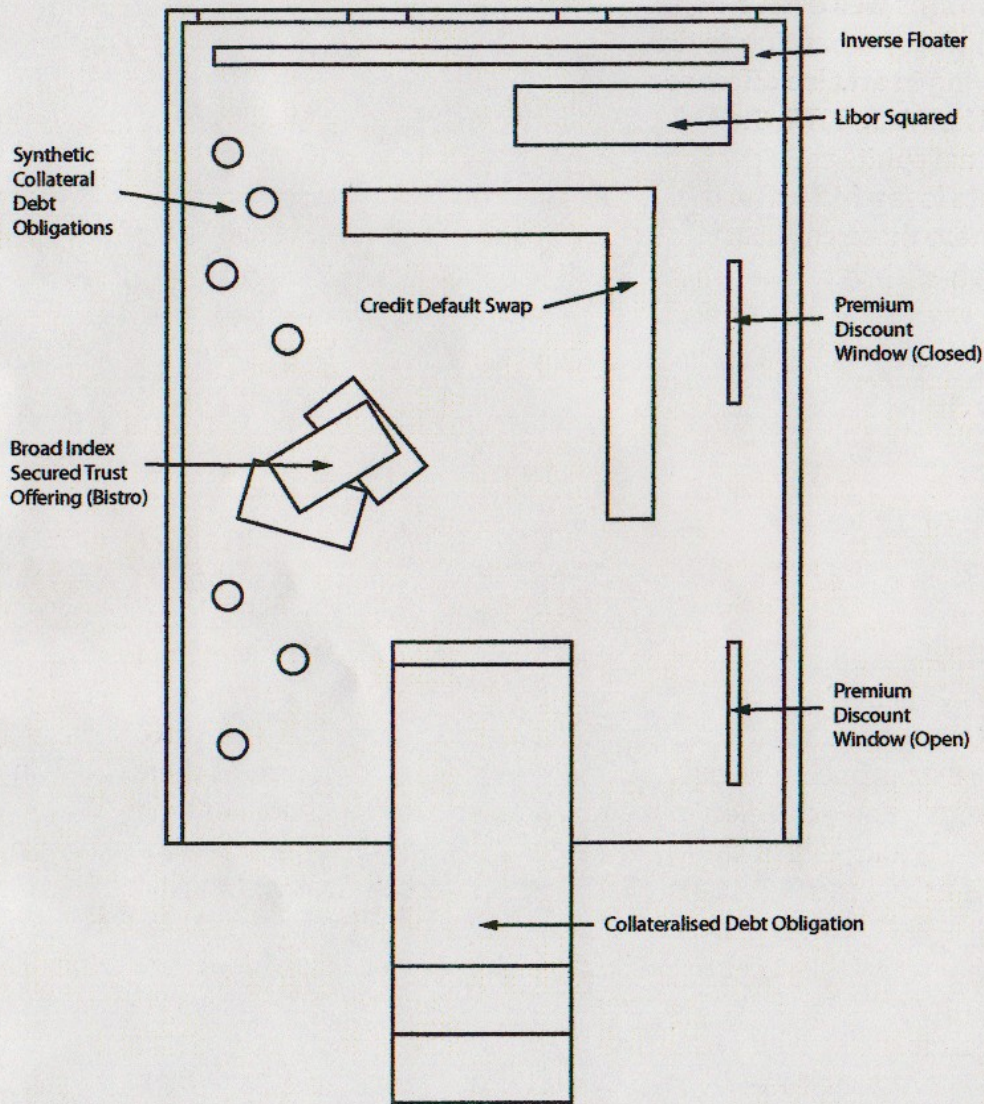
Estimates of his net worth fluctuate: Forbes pegs him at \$5 billion, a figure that Pinchuk says is low and claims that the value of its portfolio is \$10 billion.

Pinchuk makes scant effort to cloak his wealth - whether that be a \$23 million purchase of a Koons sculpture or the \$160 million he recently paid for a grand London estate.

But such displays are not so easily digested in the Ukraine, a country ravaged by inflation, AIDS and an inchoate, rambunctiously democratic, political process.

"The world has given it all to Mr. Pinchuk," he said. "Now it is time to give it back."





A map of "You Have Been Misinformed"

...olios exotic or alternative assets include art, violins, maybe football players, ...ly performs well even when the rest of the market is going down. art is ...s for investors wanting to diversify their risk. a strong point of this type of ...investing in art also offers something extra than traditional hedge funds, it ...++ ANIMAL SPIRITS: the colourful name that keynes gave to one of the ...s, animal spirits are a particular sort of confidence, "naive optimism". he ...ultimate loss which often overtakes pioneers, as experience undoubtedly tells ...h". where these animal spirits come from is something of a mystery. ...ell, such as shares of a company, property or art. ++++++ BANKRUPTCY: ...a creditor. ++++++ BEAR MARKET: a bear market is when share values ...art of 2000. ++++++ BUBBLE: when the price of an asset rises far higher ...rom holding the asset. the chicago tribune of april thirteenth, eighteen ...no bought property at prices they knew perfectly well were fictitious, but who ...reater fool could be depended on to take the property off their hands and ...ubbles include tulip mania in holland during the seventeenth century, and ...ernet company shares that burst in two thousand. economists argue about ...ed with exploitation of the gullible masses by some savvy speculators) or, ...information about the fundamental value of an asset and thus for whom it ...use, bubbles do not last forever and often end not with a pop but with a ...ent-grade security backed by a pool of bonds, loans and other assets. CDOs ...t maturity and risk associated with it. ++++++ CREDIT CRUNCH: an ...and investors become weary of lending funds to corporations thereby driving ...sidered to be an extension of recessions. a credit crunch makes it nearly ...cies or defaults, which result in higher rates. the consequence is a prolonged ...nk. ++++++ CREDIT DERIVATIVE: whereas derivatives' most common ...it derivative's price is driven by the credit risk of either private investors or ...igned to transfer between parties fixed-income products' exposure to credit ...guarantees the credit-worthiness of the product. ++++++ DEBT: the ...economic growth, because it allows individuals, firms and governments to ...ebt is interest. ++++++ DERIVATIVE: a financial product whose price is ...merely a contract between two or more parties. Its value is determined by ...tting all your eggs in one basket. investors are encouraged to do this by ...ce risk. ++++++ FREE LUNCH: there's no such thing. ++++++ ...erential between two or more markets: a combination of matching deals are ...tween the market prices. ++++++ HEDGE: reducing your risks. Hedging ...s your exposure to an adverse change in an exchange rate, interest rate or ...n of a hedge fund. they all aim to maximise their absolute returns rather than ...e. ++++++ HIGH NET WORTH INDIVIDUAL (HNWI): a classification used



**"Take your cue not from the good old things,  
but from the bad new ones" an old Brechtian Maxim**

**Produced on the occasion of the exhibition**

**"You Have Been Misinformed"**

**Stephan Dillemath**

**Nils Norman**

**Reena Spaulings. September 7 – October 5 2009**

**Production stills: Patterson Beckwith**

**Best Boy: Amadeus Dillemath**

**Consultation: Daniel McDonald**

**With Special Thanks to:**

**Reena Spaulings**

**Zbig Renovation Corp**

**Anthony Davies**

**and**

**Emily Pethick**