

Skate's Art Stocks: May-Jun 2009

Art Market Pre-Basel '09: a Sense of Turnaround Lies in the Air

- Skate's Art Stocks Index is up 14% this year, with 10 out of 12 art stocks capturing capital gains
- Collectors Universe launches a share buyback program and will distribute around US \$10 million to its shareholders
- Art Vivant and Finarte Casa d'Aste publish financial results and provide useful benchmarks for the art industry's performance in Japan and Italy
- The second half of May brought just four changes to Skate's Top 1000 list of the world's most valuable art
- A high profile divorce in Russia offers a rare insight into the tastes of wealthy local collectors

Art Economy Feels the Return of Investors' Confidence

As art market players convene in Basel this week, they carry high hopes that the worst for their industry is behind them – Q2 auctions were not spectacular, but at least there was no liquidity freeze. And perhaps the most visible sign of recovery is in the recent performance of the Art Industry Stocks – as shown in the chart below, share prices of art economy companies rallied, outdistancing by over 10 percentage points the performance of the S&P 500 in Apr-May.

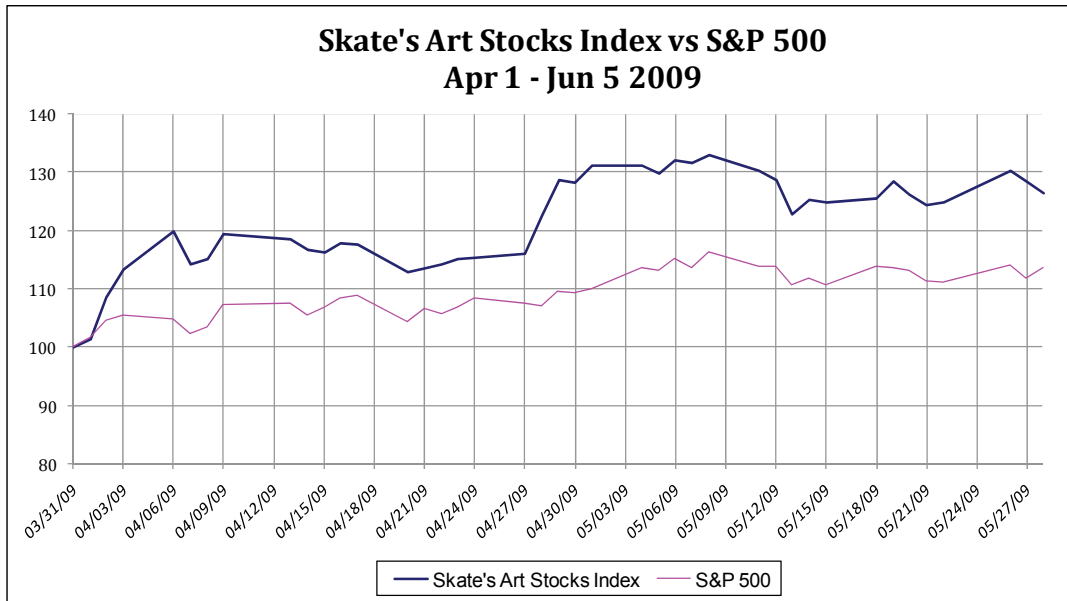
MCGRAW-HILL TO PUBLISH SKATE'S ART INVESTMENT HANDBOOK: *The Comprehensive Guide to Investing in the Global Art and Art Services Market* in Fall 2009

Skate's Art Market Research is pleased to announce that a second English edition of *Skate's Art Investment Handbook* will be published by McGraw-Hill in Fall 2009.

Written by Skate's Art Market Research Founder and Chairman Sergey Skaterschikov, the original *Skate's Art Investment Handbook* was first published in Russia in 2006 and was written as a guide for Russia's newly wealthy. Due to popular demand (the Russian edition sold out in six months), the book was printed in English. It has since become a standard resource for international art investors.

Skate's Art Investment Handbook: the Comprehensive Guide to Investing in the Global Art and Art Services Market will expand upon its predecessors with additional sections, new data and input from special contributors. Using a combination of proprietary editorial and aggregated statistical data, Skaterschikov will explain a rational approach to investing in art, including valuation drivers, market statistics and an analysis of how the art market compares to other investment markets. A special supplement will feature a complete listing of Skate's Top 1000.

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Source: www.skatepress.com

In the first week of Jun, all 12 art stocks continued to advance and as a result pushed the Skate's Art Stocks Index back to levels last seen in early Aug of last year – the index closed at 79.6 points on Jun 5 or up 14.3% on a year-to-date basis so far.

Name	Listing/Currency	June 2009 Performance	YTD 2009 Performance	Price as of June 5, 2009, USD	Market Cap as of June 5 2009, USD mln	Skate's Target Price (in local currency)
Sotheby's	NYSE/USD	10.1%	25.1%	11.7	785	USD 18
Artprice	Paris/EUR	1.1%	39.3%	9.4	59	EUR 6
Artnet	Frankfurt/EUR	33.3%	7.3%	7.5	42	EUR 9
Collectors' Universe	NASDAQ/USD	8.6%	85.6%	4.9	41	USD 8
Mallett	London/GBP	2.1%	40.7%	100.9	14	none
Finarte Casa d'Aste	Milan/EUR	2.1%	7.0%	0.3	13	EUR 0.6
Gruppo FMR	Milan/EUR	2.1%	25.5%	7.1	25	EUR 5
Camera Work	Frankfurt/EUR	2.1%	-7.0%	7 796.0	312	EUR 1000
Art Vivant	Tokyo/JPY	1.4%	-8.9%	2.5	39	JPY 270
Seoul Auctions	Seoul/WON	0.1%	76.2%	3.2	52	WON 2500
Shinwa Art Auction	Tokyo/JPY	23.6%	51.8%	382.0	23	JPY 50000
Stanley Gibbons	London/GBP	4.5%	7.0%	207.5	52	GBP 160
Skate's Art Stocks Index		7.5%	14.3%	79.6	1 459	USD 90

Source: www.skatepress.com

CLCT Share Buyback Injects Speculative Interest in the Stock

Collectors Universe (NASDAQ: CLCT) has been by far the best performing stock this year, gaining over 85%. Keeping focused on serving the collectors market with industry standard grading services, divesting from a questionable expansion into the diamond grading business, changing management and having almost US \$21 million in cash on the balance sheet all contributed to the massive share price upswing.

CLCT management watched this stock price rally and thought it was not enough – even after being the best performing art stock this year, CLCT is still valued at less than two times its cash. The company viewed its stock as a bargain and launched a share buyback program on Jun 2. Styled as a Dutch auction, the buyback program will continue until Jul 2, and, if completed at the maximum declared aggregate purchase price (at a price per share of not less than US \$5 and not greater than US \$5.4, for a maximum aggregate purchase price of approximately US \$9.45 million), CLCT will dispose of almost half of its current cash in return for what would become treasury stock.

Although this move may work just fine for CLCT, we are concerned. Timing the market is crucial and difficult – the volatility is there, and no assurance can be given that the global stock markets have turned the corner. CLCT can appear to be cheap, but fast forward to early July and with a reduced free float and just US \$10 million in cash, CLCT will become a less liquid stock with significantly reduced gunpowder needed to survive in adverse market conditions, should they remain in place. In our recent memory, too many companies and their corporate executives thought that share buyback at corporate expense can work for sure (and to help them with their margin calls too) and too many failed spectacularly. Meinl European Land in Austria and RBC in Russia come to mind, to name two.

First week through the offering period and so far CLCT bet remains on an unjustified spending spree of cash – the share price remains below the offering range for now. The Share buyback offer expires on Jul 2, but it can be extended at the company's discretion.

Japanese and Italian Art Dealing Companies Publish Financial Results

Art Vivant and Finarte Casa d'Aste published financial results and provided useful benchmarks for the art industry's performance in Japan and Italy.

Italian art dealing and auction house Finarte went from a questionable business model generating a 25% net loss margin in Q1 2008 to a spiraling free fall – its Q1 FY '09 revenues dropped 34.7% on Y-T-Y basis to EUR 1.9 million, while its loss has doubled to EUR 1.4 million in the first quarter of the year. Nevertheless, in May the share price of Finarte jumped 32% -- for a company that manages to lose EUR 1.4 million on sales of EUR 1.9 million, this share price dynamic has no connection with reality, at its market value of EUR 14 million. We will watch for 1H FY '09 results and should Finarte management take no action to tackle the operating losses and secure financing sources for this cash burning business model, we'll revisit our price target of 50 Eurocents and question the going concern nature of Finarte.

Japanese Art Vivant can serve as a good role model for a turnaround – by focusing on fewer auction categories, slashing operating costs (such as staff reduction and saving on printing expenses), Art Vivant managed to swing from JPY 311 million loss in Q1 FY '08 to JPY 24 million profit in Q1 FY '09 in spite of a 17% sales decline for the same period. This, however, again failed to translate into an adequate price dynamic – Art Vivant shares remain down on a year to date basis, which depressed price reflects in part the overall poor performance of Japanese consumer stocks.

The takeaway is that short-term stock price increases or decreases in the illiquid market for shares in many art industry companies, such as Finarte and Art Vivant, is not an indication of their financial health or investor sentiment – the judgments can be made only in the context of longer investment cycles. Over 52 weeks, both the Italian and the Japanese art trading firm remain down over 50% in dollar terms, and both face an uphill battle over the few more quarters to prove they can make money and actually survive in the current art market environment. So far, Art Vivant, however, remains a better candidate for survival, and we expect it to significantly outperform Finarte in 2009.

The World's Most Valuable Art: Sellers and Buyers Do Not Trade Waiting for New Market Equilibrium to Arrive – Perhaps to be Expected at Basel

Second half of May was quiet and brought just four changes to Skate's Top 1000 list of the world's most valuable art – newcomers to the list with their respective value rankings as of Jun 8, 2009 are:

Rank in Top 1000	Artist	Artwork Title	Purchase Price, USD
627	David Hockney	Beverly Hills Housewife	7 922 500
839	Richard Diebenkorn	Ocean Park No. 117	6 578 500
936	Roy Lichtenstein	Frolic	6 018 500
967	Jean-Michel Basquiat	Mater	5 850 500

Source: www.skatepress.com

The four artworks leaving the rating are:

Artist	Artwork Title	Year of make	Purchase price, USD
Henri Matisse	Nature morte aux citrons sur fond fleurdelisé	1943	5 720 000
Jackson Pollock	Frieze	1953-1955	5 720 000
Claude Monet	Nymphéas	1914-1917	5 720 000
Pierre-Auguste Renoir	Leontine et Coco (Claude Renoir)	1909	5 720 000

Source: www.skatepress.com

Divorce Filing Reveals Modern Collecting Habits of New Russian Collectors

A high profile divorce of Moscow society couple – Olga and Vladimir Slutzker – may bring an interesting collection of Western contemporary art to the market shortly.

Whereas the art trade has been dominated by debt-affected sales during the latest harsh economic months, there are still other reasons to make significant private collections public.

The recent separation of the Slutzkers family (Vladimir Slutzker – Russian senator; and Olga Slutzker - founder of the fitness empire “World Class”) may potentially make available great examples of Western post-war and contemporary art through private sales or auction houses in the near future.

Expected to be for sale soon, the Slutzker collection accounts for 25 items with its estimated total value over US \$11 million. It is comprised of the works by such high profile artists as: Andy Warhol (incl. “9 colored Marilyns” estimates at US \$0.85 million), Damien Hirst’s “Saints and Sinners” (estimated at US\$ 2M), Alighiero Boetti, Lucio Fontana, Francis Picabia (artwork estimated at US \$0.9 million), Jean-Michel Basquiat (estimated at over US \$1.6 million), Julian Schnabel, Roy Lichtenstein (piece estimated at over US \$1 million), and George Condo. There are also sculptural works by George Condo, Julian Schnabel and Keith Haring.

The Slutzker Collection also includes examples of the top names in contemporary photography: Andreas Gursky (estimated at US \$0.5 million), Helmut Newton, Bettina Rheims, Henry Cartier-Bresson, Thomas Ruff, Thomas Struth and Pierre et Gilles.