



**Assessing Alternative Investments
in Art and Wine**

15:30 – 16:30, Tuesday, Jan 19, 2021



Panelists examine the profound changes in the global economic landscape on Tuesday.



“There is an advantage to assessing this kind of (art) investment in Hong Kong because of the infrastructure, the law and regulation.”

Andy Hei, founder and director of Fine Art Asia and Ink Asia, Hong Kong



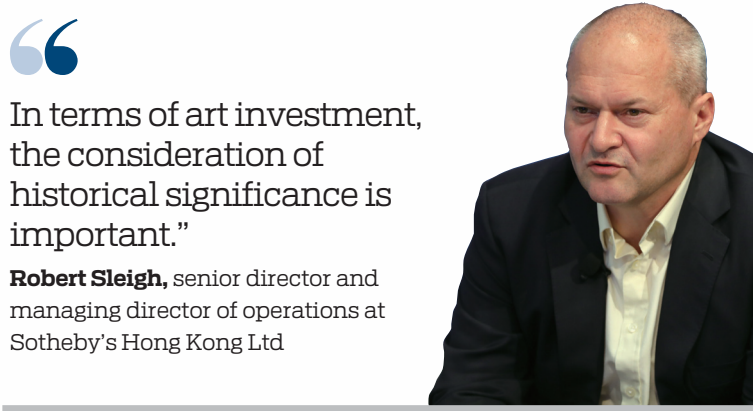
“Replacing some of the equities in a traditional portfolio with wine or art investments can help to lower volatility, especially during times of economic uncertainty.”

Johnny Hon, founder and chairman emeritus of Global Group International Holdings Ltd



“There are also a number of risks. If you look at art or collectibles in general, you have to consider that collectible assets tend to be very illiquid.”

Adriano Picinati di Torcello, director, advisory and consulting of global art and finance coordinator at Deloitte Luxembourg



“In terms of art investment, the consideration of historical significance is important.”

Robert Sleigh, senior director and managing director of operations at Sotheby's Hong Kong Ltd

Physical art fairs give ‘full experience’ to investors

By **HESHUSI** in Hong Kong
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Though there are more online exhibitions and auctions during the pandemic, it is still essential for new investors to attend art fairs, bid at auctions and visit galleries to avoid risky investments and to get the full experience of any piece of art, said Andy Hei, founder and director of Fine Art Asia and Ink Asia in Hong Kong.

“The accuracy of appraisal and valuation directly impacts the risk of art investment. It is important for individuals to know that the opinions and knowledge from the experienced experts are essential and crucial to avoid unnecessary risks,” Hei stressed.

He also emphasized the importance of interacting with gallery owners. “There is so much history in art, especially antiques, and stories that are passed down to the current owner who can share with the potential buyer.”

Hei is a professional art dealer with over 30 years of experience in the fine art market. He has organized 20 international art fairs in Hong Kong, including the only physical art fair in Hong Kong in November – Fine Art

Asia 2020.

Like any other market and industry, Hong Kong's fine art market is struggling right now. COVID-19 presented many challenges last year, both locally and internationally; but many of the dealers, collectors and investors have not stopped seeking and buying, albeit at a more leisurely pace, Hei noted.

“Although the pace is slow, we have proven that there is stability in Hong Kong's art market,” he said.

Fine Art Asia 2020 attracted over 8,000 visitors and received much positive feedback from exhibitors, artists and collectors. The few postponed auctions also reported strong interest, plus the private sales showed a steady performance, Hei revealed.

“These events in 2020 demonstrate that the situation is better than we expected during this unpredictable pandemic,” he said.

COVID-19's impact was evident in the antiques and traditional art market, as transactions were slower than usual because of travel restrictions, which meant collectors were unable to visit galleries to study and appreciate the collections, Hei noted.

Usually, antique collectors prefer to

physically visit the gallery to study the collection themselves first, because both physical viewing and somatosensory are important to them before making a purchase, he said.

“Antiques come in various unique forms and shapes as they are mostly one of a kind, so without touch and sense it is hard for the collector to know, and this cannot be replaced by online or mobile platforms,” he said. “But for contemporary art, it is easier to show through high-resolution images and (you) encounter less issues in the authenticity, unlike antiques.”

For antique art dealers, if the market is not prosperous, they don't mind waiting until the economy recovers, when prices will be higher, he said.

Amid COVID-19, online platforms thrived rapidly last year, and the idea of “collecting art” and “cross-culture collecting” are becoming trendier, Hei said.

Noting that cultural exchange has been a huge part of Fine Art Asia, Hei said they have been putting an emphasis on cross-collecting. “We are the only fair in Asia to showcase a wide range of collectible fine art from Asia and the West. With cross-collecting,

From collectibles to investibles



From left: Moderator DJ Clark; Andy Hei, founder and director of Fine Art Asia and Ink Asia Hong Kong; Johnny Hon, founder and chairman emeritus of Global Group International Holdings Ltd; and Robert Sleigh, senior director and managing director of operations at Sotheby's Hong Kong attend the China Daily Asia Leadership Roundtable themed “Assessing Alternative Investments in Art and Wine” on Tuesday. PHOTOS PROVIDED TO CHINA DAILY

“new normal” into the “new future”. Sleigh highlighted Scotch whisky, Japanese whisky, China's Maotai baijiu as markets with significant growth. The sneaker stands as a new collectible, which Sleigh described as a market that is “really something”.

Technology plays a new role

Torcello said the power of technology to help reduce investment risks and increase liquidity of collectibles merits great attention. There are also many discussions around fingerprinting, blockchain and tokenization of certain categories of collectible assets, he added.

Having seen technology wave its magic wand in many areas during the pandemic, Hon emphasized that “one should be open-minded in looking into digital arts and other collections”.

“The pandemic has motivated the art market to make a major technological shift toward the online sphere, and online sales are driving the current market, which has also shown that younger generations are becoming keener to collect and invest,” Hon said.

The rapid development of blockchain and augmented reality technologies can be the next big things to reshape the art space. One may have a visual art that uses a smart contract on the blockchain to lease it out to someone who displays it for a specific period, or one can use AR to bring a tangible painting to life, he noted.

“While all of these changes may present opportunities, I would not recommend rushing in to buy art merely as an investment. It is important to discover your passion and what you really enjoy about artworks,” Hon stressed.

Torcello added, “Art and wine are a great way to connect, establish and increase relationships with your clients on very emotional and passionate assets.”

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Digital innovations help resilient market to thrive amid pandemic

By **HESHUSI** in Hong Kong
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While most industries have struggled during the catastrophic COVID-19 pandemic, one sector has fared well, showing unusual resilience – the collectibles market.

Expansion in the art and wine market will certainly continue when the pandemic ends, said Robert Sleigh, senior director and managing director of operations at Sotheby's Hong Kong Ltd, on the sidelines of the roundtable.

The pandemic not only has created a global health crisis, but has threatened the global economy with a grim recession. Everyone has felt the pinch of ever-shrinking disposable incomes and dampened purchasing power. But people's penchant and enthusiasm for investment assets has remained high as more investors appreciate the reliable value gains and wealth-preservation attributes of collectibles such as art and wine. Asia saw HK\$422.12 million (\$54.45 million) in wine sales in 2020, just slightly behind 2019's HK\$461.82 million. “It's driven by a movement to a digital-first approach, with seven times more online sales in Asia than ever before and 80 percent of bidding globally taking place online,” Sleigh said. “Wine remains one of the most affordable asset classes.”

Wine boasts a favorable supply-demand dynamic, in which wine is produced in a limited quantity and its price rises when it's consumed while the demand remains intense. “Unlike financial instruments, wine quickly finds its consumable price rather than a trading or investment price, which we saw in the last global financial crisis,” Sleigh said. “At the top end, demand for the finest and rarest wine last year is as strong as it had ever been, with rarity and provenance still being the driving forces.” The insatiable demand for the rarest Burgundy from Asia's top collectors has certainly been a key theme driving the fine wine market, he added.

The lockdown has had people drink more wine at home than in restaurants, and therefore, wine lovers have had more money to spare for investing in fine wine as a collectible as opposed to splashing on a bottle

in a high-end restaurant or bar, Sleigh said.

“Unlike a traditional financial recession, there were no margin calls or need to liquidate assets for the most part,” which explains the resilience of the fine-wine market compared with overall volatility, Sleigh said.

The trend of art investment has also resisted the economic downturn of the pandemic.

“While there was a short lull in activity in the early days of the pandemic, where there was an expectation of ‘COVID pricing,’ it quickly disappeared. Our clients made it clear that they wanted to buy and sell, and we were material in providing liquidity in the market, which was badly needed,” he said.

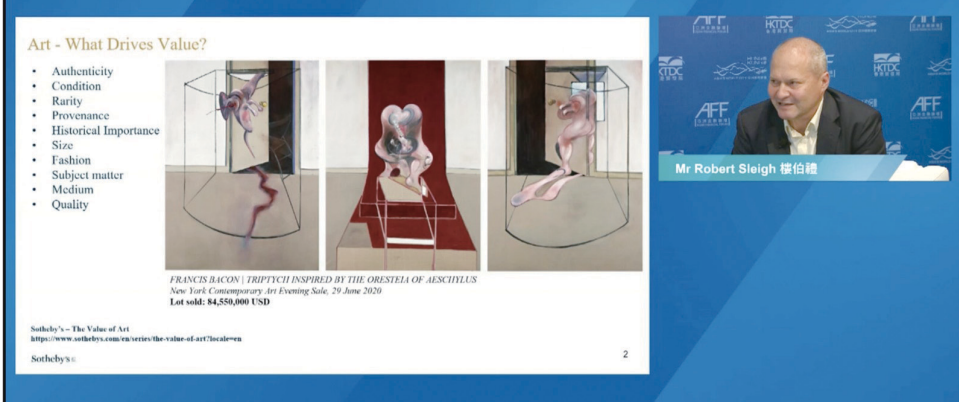
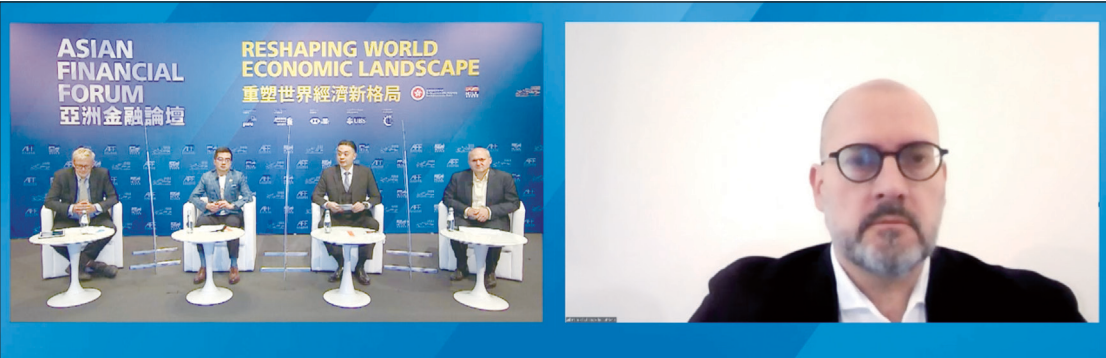
Asian collectors, who account for over 30 percent of Sotheby's worldwide auction sales, have proved especially resilient in 2020, Sleigh said. “The strong results (generated by Asian clients) have cemented the company's market-leading position in Asia for the fifth consecutive year. The number of Asian clients bidding online was growing faster than anywhere else, more than doubling in 2020.”

The digital innovations have played an overriding part in the collectibles market's resilience. In Hong Kong, Sotheby's has held 63 online auctions across a diverse range of categories from Chinese Works of Art, Contemporary Art to Jewelry, Watches and Wine, achieving a total of nearly HK\$250 million, he said.

Looking ahead, Sleigh is upbeat about the prospect for the collectibles market in light of the burgeoning and supportive digital tools and people's sophisticated tastes.

“The market will continue to grow but some of the changes will stay,” Sleigh said. “Reduced foot traffic caused by travel restrictions and gathering bans demand us to be more flexible and creative to engage potential investors, buyers and sellers.” One example, he says, is, “by bringing in and curating more online sales and virtual selling exhibitions, particularly for young collectors,” who are a rising cohort in Asia.

Apart from the sale of art, wine and spirits, that of collectible luxuries, such as jewelry and watches, will be spurred by the convenience and immersive experience of online events, he said.



Above: Adriano Picinati di Torcello (right), director of advisory and consulting of global art and finance coordinator at Deloitte Luxembourg, joins the discussion via online video. **Left:** Robert Sleigh shares his insights into what drives the value of works of art.



Left: Eddie Yue Wai-man, chief executive of the Hong Kong Monetary Authority speaks at the forum.



“Hong Kong has recently launched a strategic plan to support a greener and more sustainable future to boost Hong Kong's low-carbon transformation.”
Carrie Lam Cheng Yuet-ngor, Hong Kong chief executive

“Allocating a sufficient amount of resources to healthcare development is very important.”
Jin Lique, president and chairman of the Asian Infrastructure Investment Bank



“Given that we haven't defeated COVID-19, were there to be any new epidemic, it's hard to imagine how we could cope. Hence, sustainable development is the only way forward for humanity.”
Guo Shuqing, Party secretary of the People's Bank of China

“The power of technology enables us ... to explore ways to facilitate the global economic recovery and explore issues ranging from technology innovation to sustainable development.”
Peter Lam Kin-ngok, chairman of the Hong Kong Tourism Board



From left: James Henry Lau, Hong Kong's former secretary for financial services and the treasury; Jin Lique, president and chairman of the Asian Infrastructure Investment Bank; Peter Szijarto, minister of foreign affairs and trade of Hungary; and Uttama Savanayana, Thailand's former minister of finance pose for a photo at the forum.

Hong Kong to leverage gateway status to bounce back strongly

By **HESHUSI** in Hong Kong
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Hong Kong is betting big on a world of opportunities, and will shake off the burdens of COVID-19 by capitalizing on its robust financial system and unique status as a gateway for the Chinese mainland, heavyweights told the 14th Asian Financial Forum.

Speaking via video on the second day of the 14th Asian Financial Forum on Tuesday, Hong Kong Financial Secretary Paul Chan Mo-po said he believes the city's economy may pick up speed in the second half of this year upon mass vaccination programs.

He cautioned that Hong Kong's economy in the first half of 2021 will still be clouded by the COVID-19 pandemic, but he was optimistic about the long term.

“Hong Kong continues to be the business and investment bridge that links the Chinese mainland and overseas countries, and the city also is the important choice for mainland and overseas companies for listing their shares,” Chan said.

“As the government reforms its listing regime and enlarges the universe of the two stock connect programs, linkages between Hong Kong and mainland capital markets are further cemented, thus enhancing the liquidity position of those listed companies,” the finance chief told forum participants.

On Tuesday, Hong Kong's Hang Seng Index rose 2.7 percent to hit a 20-month high of 29,642 points, with mainland traders buying a net \$3.4 billion of Hong Kong stocks. Daily turnover in the city rose to a record

\$38.9 billion.

Hong Kong Chief Executive Carrie Lam Cheng Yuet-ngor said in her opening speech to the forum on Monday that Hong Kong's fundamentals remain strong amid the challenges of the COVID-19 pandemic.

“Hong Kong's financial system has demonstrated its strengths and resilience,” Lam said. “Our financial markets continue to operate orderly, and that includes the Linked Exchange Rate System. The Hong Kong dollar to the US dollar exchange rate has stayed on the strong side, reflecting investors' continuing confidence in our financial markets.”

“Thanks to our ‘one country, two systems’ framework and long-standing advantages, including an internationally aligned regulatory regime, the rule of law, a simple and low tax system and the free flow of information

and capital,” the Hong Kong leader stressed, “we continue to be an ideal gateway between the mainland and the rest of the world. That very much includes our role as both a conduit for foreign capital investing in the mainland and the springboard for mainland companies looking to international markets.”

Lam said she has high hopes for the widespread use of vaccines and the Chinese mainland's economic ascent to accelerate the global recovery. Last year, the global economy plunged roughly 4.4 percent, while Hong Kong's GDP is expected to decline by 6.1 percent.

In his keynote speech on Monday, Guo Shuqing, secretary of Party Committee of the People's Bank of China and chairman of the China Banking and Insurance Regulatory Commission, said Hong Kong has played a pivotal role

in every stage of the country's development in the past 40 years. Hong Kong will regain its vitality in the new development stage of China and Asia, he said.

The city is vital to the country's new development pattern of “dual circulations”, and can continue to play an important part in the development of the Guangdong-Hong Kong-Macao Greater Bay Area, Guo said.

Also speaking at the forum, Jin Lique, president and chairman of the Asian Infrastructure Investment Bank, said the global economy has been dragged down by the pandemic, and the current economic downturn is not a normal business cycle. He believes the pandemic will be gradually controlled this year, which will bring further impetus to economic recovery.

Jin called for enhanced cooperation among global economies, and more investment in scientific research, as the pandemic reflects a fragile global economic chain, and healthcare and digital technology is becoming more important.

The 14th AFF was jointly organized by the Hong Kong Special Administrative Region government and the Hong Kong Trade Development Council.

More than 5,000 global policymakers, financial experts, business leaders, economists, investors and entrepreneurs from some 70 countries and regions signed up to participate online for the first time to examine opportunities and challenges for finance, investment and business in the new global economic landscape.

Oswald Chan and Luo Weiteng contributed to the story.