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Art & Finance Report 2021

7th edition

Solitário
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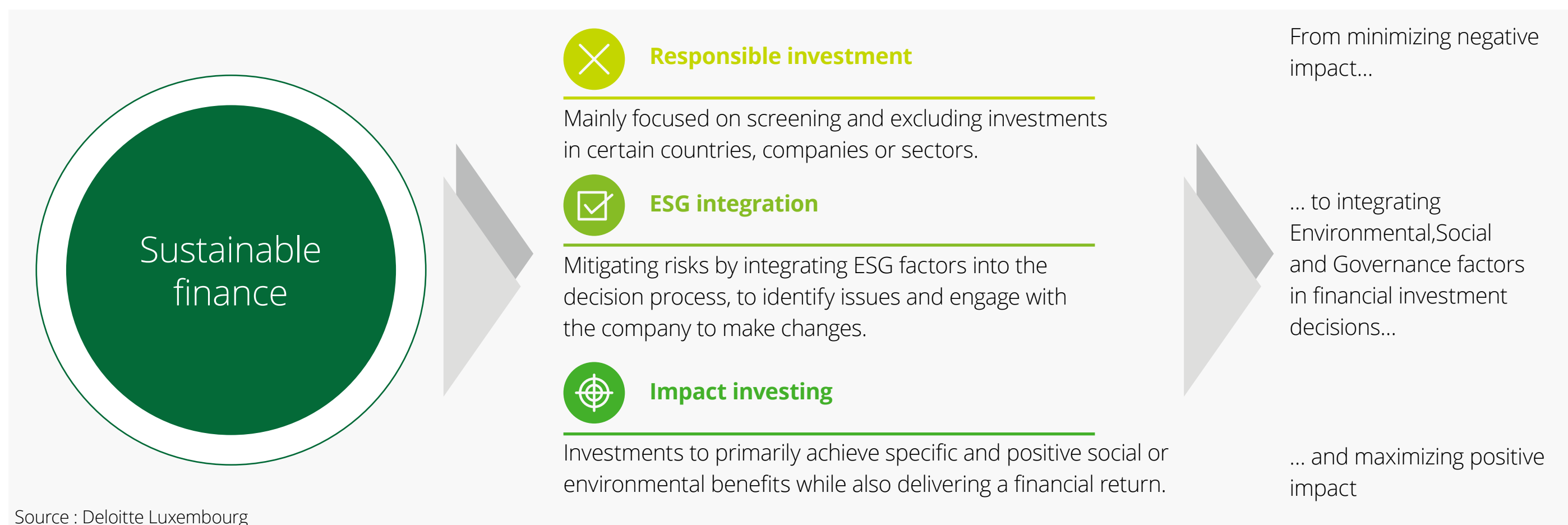
Section 04 - Culture & Social Impact investment and Sustainability

Introduction

Culture, social impact investment and sustainability exist at the intersection between philanthropy and investment. This is a relatively new area for the art wealth management industry, providing wealth managers with a new client service that focuses on social impact and purpose-led investment in the art and culture sector. This approach is part of the global trend around sustainable finance.

The intersection between culture and social impact and sustainability was a topic we first introduced in our Art & Finance Report 2019 and during the Deloitte Art & Finance conference in 2020. In this section, we explore some of the links between art and finance and the CCS and the role they play in sustainable development. We also explore the role of culture and creativity in a smart city strategy, and how this could boost the development of sustainable investment products dedicated to the CCS.

Another important development is this year's UN initiative, which dedicates a whole year to the creative economy and its critical role in promoting sustainable development⁴, especially in a post-coronavirus world. In November 2020, the UN adopted resolution A/RES/74/198, declaring 2021 the "International Year of Creative Economy for Sustainable Development". Tabled by Indonesia, it was backed by 81 countries, a ringing endorsement of an often misunderstood and misrepresented section of the global economy.



Arthur
©Unidade Infinita Projectos 2015-2016

4 UNCTAD, 'Creative economy in the sun', 13 January 2021 - <https://unctad.org/news/creative-economy-have-its-year-sun-2021>



Section 04 - Culture & Social Impact investment and Sustainability

In Indonesia, which brought the resolution to the UN General Assembly, the creative economy contributes 7.4% to the nations' GDP.



Thalie
©Bertrand Huet|Tutti/Courtesy Galerie Nathalie Obadia, Paris/
Brussels - 2008

The resolution recognizes the creative economy's potential to support developing and transitioning economies to diversify production and exports and deliver sustainable development inclusively and equitably.

On 30 July 2021, **the Ministers of Culture of the G20 group of the world's largest economies agreed for the first time in history on a G20 Declaration on Culture that firmly positions culture as a major engine for sustainable socio-economic recovery in the wake of the COVID-19 pandemic⁵**. It includes five key priorities: the protection of cultural heritage; culture and climate change; culture and education; cultural and creative industries; and culture in the digital transformation.

So, what is the creative economy?

The creative economy covers the knowledge-based economic activities of the "creative industries", which include advertising, architecture, arts and crafts, design, fashion, film, video, photography, music, performing arts, publishing, research and development, software, computer games, electronic publishing and TV/ radio. The creative economy accounts for about 3% of global GDP, according to a 2015 study by professional services firm EY⁶. But its true worth arguably increases when cultural value is added to its commercial gains.

In Indonesia, which brought the resolution to the UN General Assembly, the creative economy contributes 7.4%⁷ to the nations' GDP. It also employs 14.3% of its workforce, from craft to gaming, fashion to furniture. In the United Kingdom, creative industries made a record-breaking contribution to the economy in 2017, supplying GBP101.5 billion to the country's coffers, and has grown at nearly twice the economy's rate since 2010.

These are monetary examples of the creative economy's wider impact. It is proving to be a powerful emerging economic sector, strengthened by digitalization and a surge in services. Its contribution is expected to grow, and if key trends can be harnessed, we may be living in a more creative world in the future.

The aim of this section is to explore the impact of investment in the CCS and to support a broader engagement on this budding topic.

This section has three parts:

Part 1: Global shifts in sustainable investment trends

Part 2: CCS and sustainable impact investment

Part 3: Reinventing smart cities through culture

Where do we stand in terms of sustainable investment offerings for the CCS today? And could this be an area of expansion for wealth management? These topics are addressed in more detail in this section and by the articles from Blue Rider Group at Morgan Stanley & Niki Charitable Art Foundation, Therme Group, Deloitte Italy, Deloitte Russia, Wondeur.ai, AEA Consulting, Foundation Compromiso & Alterna, IULM University and the European Commission.

In the following article, Deloitte Russia discusses how a company can be sustainable and presents a short overview of the social impact and sustainability of corporate art collections in Russia.

"Corporate collecting is one of the most interesting ways that businesses and art can interact. Businesses can harness art as a marketing and branding tool to shape the messages they want to send to society. Art can be used to create shared values for employees and the organization. It is undeniable that art has become an integral part of the working environment and is often covered by corporate ESG strategies."

⁵ UNESCO webpage, [G20 agrees first declaration on culture \(unesco.org\)](https://www.unesco.org/en/creative/economy/declaration). Last consulted 3rd August 2021

⁶ EY, 'Cultural times - The first global map of cultural and creative industries', December 2015

⁷ UNCTAD, 'Creative economy in the sun', 13 January 2021 - <https://unctad.org/news/creative-economy-have-its-year-sun-2021>



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The COVID-19 pandemic has created an acute need for the CCS to explore new alternative sources of revenue and partnerships and to reconsider many of their traditional funding models. If culture is set to play an important role in society and sustainable development, there is an opportunity to find better ways and models for connecting impact investors with the CCS’ financing needs.

It can be challenging to provide evidence and arguments for why the art and cultural sectors should be eligible for impact investing in the first place. According to a GIIN impact investor survey in 2020²⁷, 9% of respondents said they had directly invested in art and culture, but this only accounted for 0.1% of the sample AUM.

Culture plays an important role in society and sustainable development. Creative and cultural organizations need to **improve the ways they analyze their performance and impact.** This is particularly important in this post-pandemic period, since many art and culture organizations are struggling to stay afloat. **Measuring and reporting impact can enhance their transparency towards stakeholders, strengthen their relationships with society,** and potentially attract new supporters and donors.

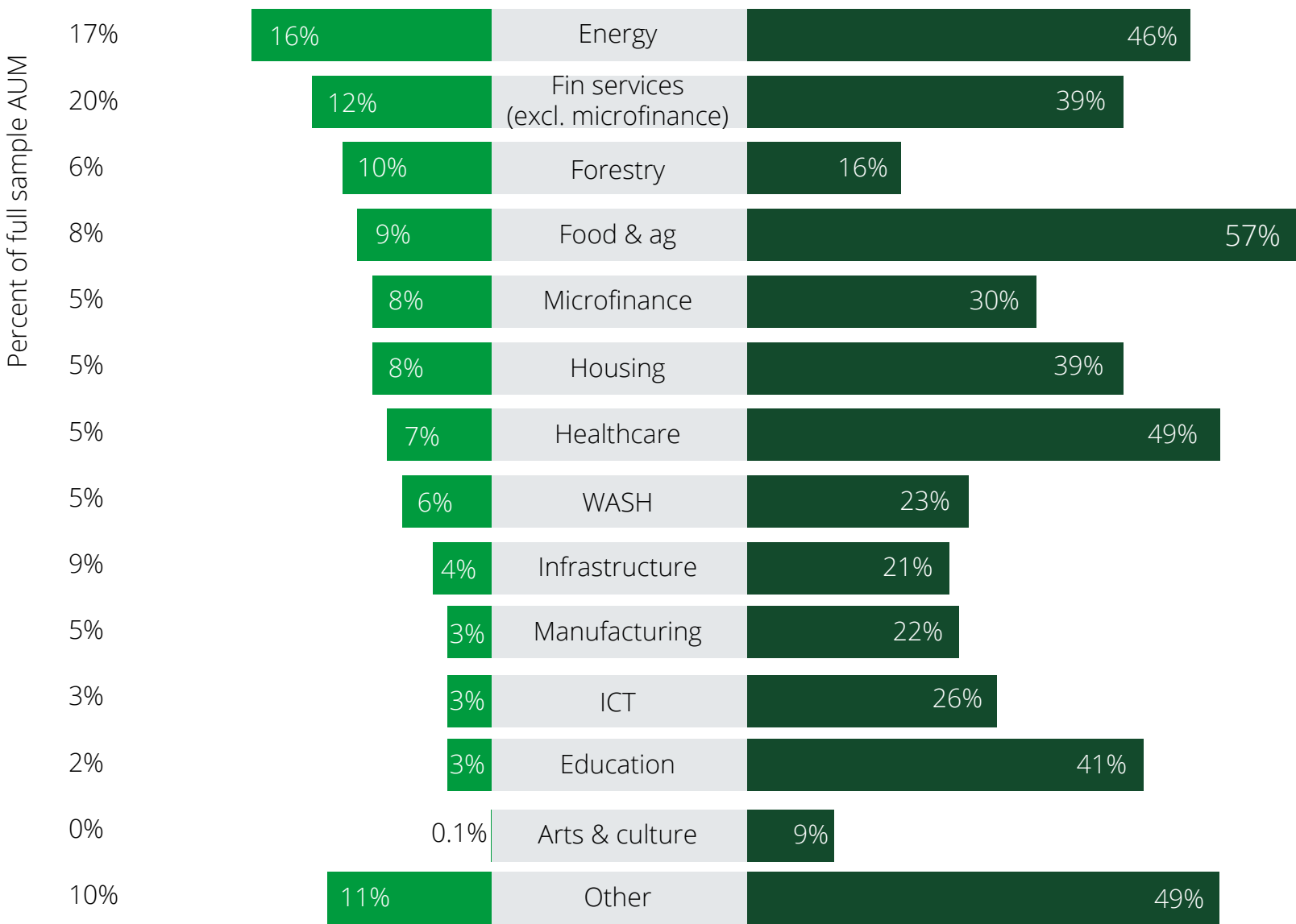
In its contribution on p.178, Deloitte Italy discusses how creative and cultural organizations can improve the methodologies they use to analyze their performance and impact, proving their accountability to relevant stakeholders.

New technologies can also support impact investment in creative and cultural organizations. Blockchain and tokenization are already being harnessed to generate new revenue streams (see also Sections 6 and 7). While the recent technological advancement in AI and network theory now allows us to analyze how cities and their networks of tens of thousands of museums, non-profit organizations and commercial galleries help spur and nurture creativity in the field of contemporary visual art. The article from Wondeur, The cultural power of cities in a global cultural market; on p.186 presents this approach and the related results for the first time.

So, can we develop financial products that aim to support the CCS? Is there a future for socially responsible investments in culture? There are signs that the impact investment market is gradually opening up for the art and culture sector. One recent initiative “Creativity, Culture, and Capital: Impact investing in the global creative economy (CCC)”, a partnership between Fundación Compromiso, Upstart Co-Lab (United States), and Nesta Arts & Culture Finance (United Kingdom), aims to connect impact capital and investment to the creative economy. The following article talks more about this initiative, as well as the Cromatica initiative in Latin America.

Figure 73. Left side - cent of AUM excluding outliers; n = 289; AUM = US\$221 billion. Right side - cent of respondents with any allocation to each sector; n = 294; respondents may allocate to multiple sectors.

Source: GIIN, 2020 Annual Impact Investor Survey



Note: ‘Other’ includes investments that did not align to these sector categories such as real estate, tourism, community development, retail, and sector agnostic investments.

27 Global Impact Investing Network (GIIN) Research Institute, 2020 Annual Impact Investor Survey, June 2020, p.33



Expert voices

Author:
Wondeur.ai
Team

The cultural power of cities in a global cultural market

The creative economy is a growing contributor to national GDP; it empowers cities to attract talents, to spur innovation and to foster inclusive development and well-being. Musical creativity and cinematographic and literary inventiveness are, alongside contemporary visual arts, the beating hearts of this creative economy.

Recent technological advancements in AI and network theory are now making it possible to analyze how cities and their networks of tens of thousands of museums, non-profit organizations, and commercial galleries help spur and nurture creativity in the field of contemporary visual art.

The following analysis is an extract from an investigation of the cultural power of 3,000+ cities by Wondeur AI. It summarizes the findings for 15 cities across the following key dimensions:

- **Impact** represents the contribution of a city and its network of art institutions (commercial and non-commercial galleries, artist run centers, private and public museums, etc.) to both the artist's cultural recognition and the intrinsic value of their work;
- **Performance** is a measure of the curatorial quality of a city and its network of art institutions;
- **Risk appetite** is a measure of a city's tendency, with its network of art institutions, to showcase artists earlier than other cities; and
- **'Nesting hub'** is a measure of the contribution of each city to the creation of new star artists in the last 20 years.

This is the first step in measuring the cultural power and influence of cities on a global scale. We are looking forward to deepening this analysis in collaboration with cultural players in the years to come.



Section 04 - Culture & Social Impact investment and Sustainability

Results

Table 21. Global rank impact

‘Global ranking of city impact’ represents the impact of a city and its network of art institutions (incl. commercial and non-commercial galleries, artist-run centers, private and public museums, etc.) on both the artist’s cultural recognition and the intrinsic value of their work.

Impact calculation is based on a measure (from 2010 to 2021) of each institution’s contribution to the growth of the artist’s cultural recognition and to the changes in the artist’s intrinsic value.

For the signals considered, please refer to the methodology section.

Cities	Impact on all artists	Impact on female artists
New York	1	1
London	2	2
Paris	3	3
Los Angeles	4	4
Berlin	6	6
Madrid	12	15
Sydney	14	11
Amsterdam	15	26
Moscow	28	29
Mexico City	44	63
Tokyo	46	83
Milan	51	36
Beijing	86	125
Shanghai	101	84
Rio de Janeiro	125	61
Cape Town	269	201

Source: 2021 Wondeur.ai



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Table 22. Global rank performance (over the last five years)

‘Global ranking of a city’s performance’ measures the curatorial quality—calculated by measuring the growth of artists within three years of being shown or collected—of its network of art institutions.

This analysis is based on the measure of each institution’s performance in a city per artist category from 2015 to 2021.

For the signals considered, please refer to the methodology summary

Cities	Performance for emerging artists	Performance for established artists	Performance for celebrated artists	Performance for star artists
New York	1	1	1	1
London	2	2	2	2
Los Angeles	4	5	5	5
Beijing	5	8	31	41
Berlin	6	3	3	4
Paris	7	4	4	3
Tokyo	8	20	24	18
Shanghai	9	6	30	31
Cape Town	23	23	35	79
Amsterdam	24	30	26	22
Milan	40	12	17	12
Madrid	43	18	13	14
Rio de Janeiro	53	52	59	40
Mexico City	56	19	14	20
Sydney	81	43	41	45
Moscow	87	73	34	86

Source: 2021 Wondeur.ai



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Table 23. Global rank performance for female artists (over the last five years)
‘Global ranking of the city’s performance with female artists’ is a measure of the curatorial quality— calculated by measuring the growth of women artists within three years of being shown or collected—of its network of art institutions.

This assessment is based on the measure of each institution's performance in a city per female artist category from 2015 to 2021.

For the signals considered, please refer to the methodology summary.

Cities	Performance for female emerging artists	Performance for female established artists	Performance for female celebrated artists	Performance for female star artists
New York	1	1	1	1
London	2	2	2	3
Los Angeles	3	5	5	5
Berlin	4	3	3	2
Beijing	7	29	31	13
Paris	8	4	4	4
Cape Town	9	47	16	155
Milan	17	15	23	18
Tokyo	21	43	11	61
Rio de Janeiro	32	96	161	31
Madrid	33	21	143	41
Mexico City	51	12	50	38
Amsterdam	54	35	19	37
Shanghai	55	11	28	29
Sydney	108	36	57	75
Moscow	119	114	103	224

Source: 2021 Wondeur.ai



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Table 24. Global rank risk appetite

‘Global rank risk appetite’ measures the tendency of a city to show or collect artists earlier than other cities. This analysis is based on the measure of each institution’s tendency to show or collect artists earlier than other institutions on a comparative global scale.

For the signals considered, please refer to the methodology summary.

Table 25. Global rank nesting hub

‘Global ranking as a nesting hub’ measures the contribution of each city to the creation of new star artists in the last 20 years.

This analysis is done first by considering all artists who started in 2000 and have gone on to reach the top 2% of artists worldwide in 2021, and second, by analyzing which cities were the most critical in their early development.

For the signals considered, please refer to the methodology summary.

Cities	Risk appetite rank	Risk appetite rank (female artists only)
London	7	1
Los Angeles	4	2
New York	8	3
Berlin	9	4
Sydney	6	5
Rio de Janeiro	3	6
Cape Town	2	7
Amsterdam	5	9
Paris	12	10
Milan	14	11
Mexico City	11	12
Madrid	15	13
Shanghai	13	14
Moscow	16	15
Beijing	10	16
Tokyo	17	17

Note: Ranking among 17 cities only

Source: 2021 Wondeur.ai

Cities	Rank nesting hub
New York	1
London	2
Berlin	3
Paris	4
Los Angeles	5
Amsterdam	8
Milan	11
Madrid	18
Mexico City	23
Tokyo	39
Beijing	63
Moscow	88
Sydney	94
Rio de Janeiro	119
Shanghai	121
Cape Town	148



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Commentary
The cultural power of cities on supporting female artists; a few take-away points
by Veronique Chagnon-Burke, Independent Scholar, Co-Founder of WADDA the global research project on women art dealers and the former Academic Director at Christie’s Education in New York.

The cultural power of cities depends partly on their capacity to sustain a healthy art ecosystem, where artists can not only benefit from a strong network of art galleries and art institutions, but more importantly, find affordable studios. If we consider affordable living condition as a necessity for artists—particularly for emerging artists—cities such as Paris and Berlin, which provide either subsidized studio spaces or affordable living spaces, should be better positioned than cities such as New York and London, to foster the development and success of new artists.

One could wonder then why New York achieves the top ranking across many categories. Possible explanations are that over the last few decades the financialization of art, the number of collectors who see art as an alternative type of investment, and the number of collectors who come from the financial world may account for the high ranking when it comes to the support of female artists. The last few years have seen a strong interest for the works of female artists, especially historical and established female artists, as the supply for similar works by male artists has been dwindling.

The risk-taking appetite of collectors for contemporary art is clearly seen in cities like New York and Los Angeles, in comparison, while Paris may be able to support female artists via institutions, there is less appetite for contemporary art and emerging artists among collectors.

The leading position of New York and London in support of female artists may also be a reflection of a stronger institutionalized gender parity in society at large, which could also account for the lower ranking of cities such as Mexico or Tokyo.

Female artists in the United States have also benefitted from the works that American feminist art historians have accomplished since the late 1970s, which then translated into important museum shows, and acquisition of works by established female artists. One can think about the recent acquisitions by the Museum of Modern Art of a piece by Carolee Schneemann; of the Whitney Museum of American Art of pieces by Ruth Asawa and Jay DeFoe; or by the Centre Georges Pompidou of a historical work by Regina Bogat. The increased visibility of these historical female artists is likely a comfort to the collectors who have invested in their works.

Methodology summary
This analysis (run in June 2021) spanned from 2000 to 2021 and examined 231,324 artists*, 29,534 public and private museums, commercial and non-profit galleries and artist-run centers in 3,664 cities across six continents. Key signals considered for the different AI engines included solo and group shows, museum acquisitions (donation and purchase), network dynamics and interdependencies (institutions to institutions, institutions to artists, artists to artists), impact on shows, network dynamics and institution bias on artists’ careers and changes in value, dealers’ selling prices and auction transaction prices (adjusted based on mispricing and speculative risks).

For the purposes of classifying artists by career stage, the following artist categories were used in this analysis:

- 1. Star artists (top 1% of artists)
- 2. Celebrated artists (the second 1%)
- 3. Established artists (the next 14%)
- 4. Emerging and underrepresented artists (the remaining 84%)

**Artist nationality was disregarded in this analysis. Cultural background, gender, age group, and primary medium were considered.*

Section 07 - Art & Technology

The app also offers MarketTrends, a plug-in powered by AI that compares the user's collection with millions of art market signals to provide an analysis of the value performance of an artist.

Despite the potential of these technologies, they may lead to frustrations—partly because of their complexity and the resulting information asymmetry, and partly because they are yet to bring tangible simplifications in terms of bureaucracy.

ARTE Generali has launched an app that uses these technologies to transform the frustration into happiness and peace of mind. The app gives collectors the opportunity to virtually store images and documents of their artworks as well as to receive, within a few clicks, a remote evaluation from a certified expert. After the evaluation, the art collector obtains a digital, unalterable certificate.

The app also offers MarketTrends, a plug-in powered by AI that compares the user's collection with millions of art market signals to provide an analysis of the value performance of an artist. MarketTrends is an example of a type of innovation that supports, but not replaces humans. This tool, developed by the Toronto-based start-up Wondeur.AI, aims to deliver quantitative data (of which the art market has been historically poor), to aid art collectors, advisers, and appraisers, whose emotions and competence remain undisputed. Such a tool is key in enhancing the management of a collection.

As art insurers, we can do our part to dissipate concerns and raise hope around technological progress—of course, always fulfilling our traditional duties of protecting and indemnifying, which remain essential. We can assist the stakeholders along the art value chain by offering better and more personalized services, and helping art lovers to enjoy the experience of collecting to the fullest.

As someone extremely passionate about art, I know how important this is. This is technology with a purpose. This is technology that improves the quality of life. This is the new humanism mentioned by Giovanni⁵, whereby the technological advancement proceeds *mano a mano* with creativity, in all its new shapes.

- New technologies impact the art ecosystem in several ways, particularly when it comes to collection management, certification, authentication, provenance, and predictive systems;
- The ARTE Generali app exemplifies the response of art insurance to the ArtTech phenomenon; and
- Art insurance supports art market players and seeks to improve collectors' life quality (of which art is an important component), leading to a new humanism.

⁵ Article : New Humanism and Art Insurance By Giovanni Liverani

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