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An alternative look

Investing in alternative asset classes means different things to different people. For us, it principally means funds with target returns irrespective of market moves (up or down) and gold bullion as an insurance policy. But for many others, it signifies investments in asset classes totally removed from the world's financial markets, such as wine, watches, antiques, and of course art.

Everyone knows that there has been a contemporary art boom underway for a long time, but how have some of the other, possibly more esoteric, alternatives fared?

The answer, in short, is pretty well. According to The Wealth Report, which tracks the performance of a wide variety of so-called 'objects of passion', over the last ten years (to end 2013), classic cars have increased in value by a staggering 456%; stamps and coins have grown in value by over 200%, and wine and jewellery by 176% and 156% respectively. Not bad for objects of beauty which, we reluctantly admit, can give more aesthetic pleasure than an investment portfolio of stocks and shares. It was not all good, however: 'brown' furniture is still out of fashion and declined by 19% in the same ten year period. Furthermore, a significant lack of liquidity can make many of these alternatives virtually impossible to sell when the going gets tough – they cannot be seen as a viable alternative to more conventional, and freely traded, investments.

Of course, these headline grabbing increases only tell the story in the case of the finest cars and the rarest of wines. Tatty sports cars and average wine should be driven and drunk (but never at the same time).

Can this boom continue? Maybe. But objects of passion should be seen principally as just that. If they prove to be outstanding investments as well, it's a bonus.



Berry Asset Management PLC
79 Pall Mall
London
SW1Y 5ES

t : +44 (0)20 7667 6600
f : +44 (0)20 3427 5400
w : www.berry.co.uk

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