

WAS THE SALVATOR MUNDI A GOOD INVESTMENT?

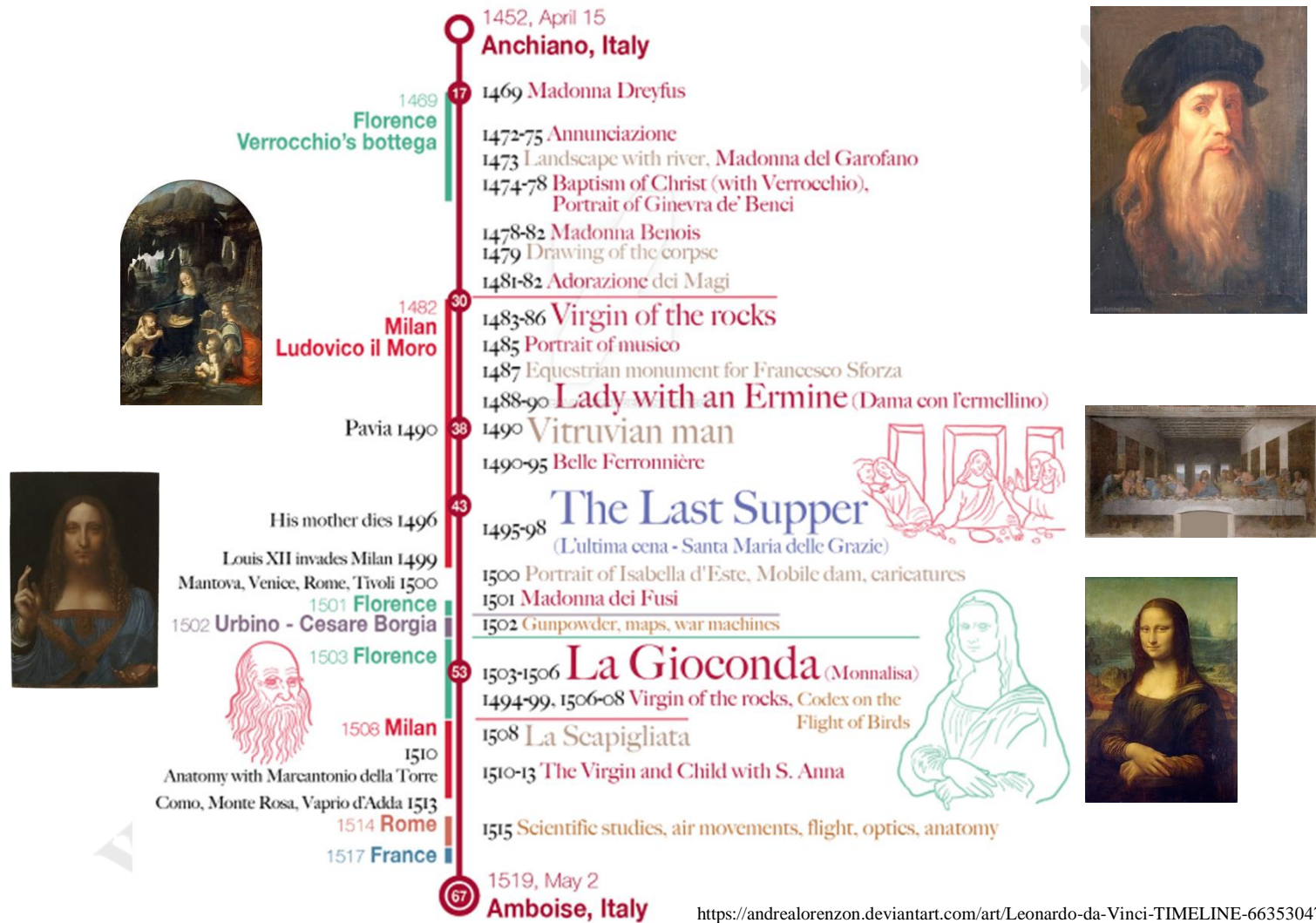
2018

Salvator Mundi



Christie's press view of Leonardo da Vinci's Salvator Mundi © i-Images / eyevine

Leonardo da Vinci



Timeline: From £45 to \$450 Million in 59 Years

- **Around 1500** – Leonardo da Vinci paints *Salvator Mundi*
 - Likely for King **Louis XII** of France and Anne of Brittany, shortly after the conquests of Milan and Genoa ...
- **1625** – *Salvator Mundi* accompanies Queen **Henrietta** Maria to England
 - ... when she marries King **Charles I**
 - Henrietta Maria also brings along an engraved copy of *Salvator Mundi* (Wenceslaus Hollar), who wrote on it: “Leonardus da Vinci pinxit”
- **1651** – *Salvator Mundi* used to settle part of Charles I’s massive debt
 - Covering an outstanding position worth **£30**
 - King Charles I beheaded in 1649 (Monarchy abolished / Commonwealth / Cromwell)
 - Months after his execution, the King's collection scattered across Europe by his successor Cromwell: Offered for sale and as diplomatic gifts to foreign states
 - Many of the pieces were **regained by Charles II** following the restoration of the monarchy in 1660
- After remaining in the Royal family’s collection for years, the painting goes **missing**

Timeline: From £45 to \$450 Million in 59 Years (cont'd)

- **Late 19th century** – *Salvator Mundi* enters collection of **Virginia**-based Sir Frederick Cook
- **1958** – *Salvator Mundi* pops up at a Sotheby's **London** auction
 - **Attributed to** Boltraffio, a **pupil of Leonardo's** and who worked in da Vinci's studio
 - Sells for **£45** to someone named "Kuntz" and taken to America
- **2005** – The canvas surfaces again at an American estate sale in **Louisiana**
 - New York art dealer Alexander **Parish**, member of an investment consortium together with Robert Simon, purchases it for **\$10,000**
 - Simon asked his friend Dianne Modestini to restore it
 - Her 6-year restoration and research work on the piece eventually led to the discovery that it was Leonardo da Vinci's *Salvator Mundi*
- **2013** – Authenticated the work as a bona fide Leonardo, Parish sells *Salvator Mundi* to "freeport king" Yves **Bouvier** in a private Sotheby's sale for **\$75–80m**
- **2013 (cont'd)** - Later that year, Bouvier turns around and sells it for **\$127.5m** to Dmitry **Rybolovlev**
 - ... whereupon the canvas got embroiled in a lawsuit between the two men

Timeline: From £45 to \$450 Million in 59 Years (cont'd)

- **2017** – Rybolovlev puts the painting up for sale at Christie's. It fetches **\$450.3m**
 - The buyer is a little-known **Saudi** prince, Bader bin Abdullah bin Mohammed bin Farhan al-Saud, it later emerged that he had been acting as a proxy for Crown Prince Mohammed bin Salman
 - The underbidder was originally thought to be **Qatar**
 - ... which is opening a new Jean Nouvel-designed national museum in 2018, and is also in the middle of a spat with Saudi Arabia and United Arab Emirates ...
 - Following, slowly though, the leaps in bidding, the final slam dunk bid increased by \$30m ...



- *Salvator Mundi* is possibly the first painting bought for \$30m or more that has ever been resold at a profit ...

28 March 2018 - The world's most expensive painting cost US\$450m because two Arab princes bid against each other by mistake and wouldn't back down (but settled by swapping it for a yacht)

- Leonardo Da Vinci's 'Salvator Mundi' sold at an auction last November for a record-breaking US\$405.3m
- It was later revealed the painting's buyer was Saudi Prince Bader bin Abdullah
- Palace insiders said the purchase was on behalf of the country's crown prince Mohammed Bin Salman (MBS), whose regime was criticized for the purchase
- De-facto United Arab Emirates ruler Mohammed Bin Zayed (MBZ) also sent a representative to bid on the painting at the Christie's New York auction
- Neither knew the other was bidding ...
- ... instead they both feared losing the auction to reps from the Qatari ruling family - fierce rivals of UAE and Saudi Arabia
- The bidding started to get high, and each of them thought they were bidding against the Qataris, and didn't want them to get it

- Proxies were given instructions, to “go as high as you want, just make sure you get it”
- Qatar's ruling family was offered the painting just a year earlier for US\$80m
 - This would actually have resulted in a loss of approximately US\$ 45-50m to selling Rybolovlev
 - This would also have confirmed observations that even the *Salvator Mundi* would not beat the track record that a painting bought for \$30m or more has never been resold at a profit ...
 - But the Qataris looked at it and felt it was too Christian for their collection, and so they declined
- The Saudis eventually bought it, MBS’s US\$450m purchase was condemned by critics of his regime
 - The Saudi government had implemented austerity measures due to the country's ailing economy, and the crown prince was conducting a corruption crackdown, arresting family members over their alleged profligate self-enrichment
- After facing criticism, he struck a deal with his Emirati counterpart to swap the painting for a superyacht also worth US\$450m

- MBZ had a yacht, it's called the Topaz, and it was valued at US\$450m
 - MBS is said to have spotted the 440ft vessel while vacationing in the south of France, and immediately offered Shefler \$550 million for it.
- So MBS signed the Da Vinci over to the UAE Ministry of Culture so it could go to the museum, and he got the yacht.'



- A week after the auction the Emirati government announced the new addition to its collection in the Louvre Abu Dhabi, much to the surprise of art fans around the world



Observation: How „Real“ is Salvator Mundi?

- ... the sheer amount of damage and restoration have led many people to question whether scholars are right to claim the picture as “by” Leonardo at all
- Respected American scholar David Nolta has said he thinks it is “**still a wreck**” and will only speak of **Leonardo’s “involvement with”** the *Salvator Mundi*
- Michael Daley, director of Artwatch UK: “**The frame at least might be authentic** ...”



Has the Leonardo generated a good return since the master painted it?

- The painting sold for **£45** (about \$125 at the time) in **1958**
- No record how much King Louis XII and Queen Anne of France, the **presumed first owners**, paid for *Salvator Mundi*
 - Assume it was around the price **Francis I** paid for the ***Mona Lisa***
 - King Francis I of France bought the *Mona Lisa* from Leonardo (died 1519) - or his heir, Francesco Melzi -, around that time for **4,000 gold ducats**
 - Ducats from the late 15th / early 16th century weigh approximately 3.5 grams apiece
 - A troy ounce of gold contains 31.1 grams
 - Hence, 4,000 gold ducats would weigh approximately 14,000 grams: **450.1 ounces**
 - On 8 March 2018 price for gold in New York of \$ 1320 per ounce would indicate a bit over **\$595,000**
 - Gold's purchasing power has remained relatively constant over the centuries ...



Has the Leonardo generated a good return since the master painted it? (cont'd)

- Assuming the original estimated price of about \$595,000 was invested in Nov 1519 without interruption over a 498-year period ...
- ... at a continuously compounding rate, ...
- ... exiting this investment at a price of \$450,312,500 in Nov 2017 ...
- ... would have resulted in an average return of slightly under **1.35% annually**
 - ... your money and that of your descendants, something like your great-great-great-great-great-great-great-great-grandchildren ...

Has the Leonardo generated a good return since the master painted it? (cont'd)

- Art prices have tended to go through long **boom-and-bust cycles** ...
- ... but in the long run, fine art has tended to **outperform cash, bonds and gold** — but **underperformed equities**
 - Leaving aside “psychic return” of art, measured in **units of pride or pleasure** ...
- Elroy Dimson / Christophe Spaenjers estimated that fine art produced a **2.4% average annual return after inflation** (from 1900 through 2012)
 - Cash 0.9%
 - Gold 1.1%
 - UK bonds 1.5%
 - Italian stocks 2.0%
 - French stocks 3.3%
 - UK stocks 5.2%
 - U.S. stocks 6.4%

Has the Leonardo generated a good return since the master painted it? (cont'd)

- Alternative benchmark approach
 - Leonardo was paid **250 florins** for his altarpiece *The Madonna of the Rocks* in 1483
 - A large altarpiece would bring a higher price than a small portrait like *Salvator Mundi*
 - However, by 1500 Leonardo was “much more famous” ...
 - The florin was a coin struck in Florence from 1252 to 1533 with no significant change in shape or weight during that time



Has the Leonardo generated a good return since the master painted it? (cont'd)

- Alternative benchmark approach (cont'd)
 - Art prices in Renaissance Florence compared to the **pay of unskilled construction workers** at the time
 - Those wages remained extremely stable between 1350 and 1527
 - **250 florins would have bought 12 years of labor** by an unskilled construction worker in Florence around the time Leonardo painted *Salvator Mundi*
 - The mean annual wage for a construction laborer in the U.S. in October 2017, according to the Bureau of Labor Statistics, is \$37,890
 - Hence, 12 years of labor equal approximately **\$454,680**
 - That's today's equivalent in U.S. labor earnings to 250 florins in Italy around 1500

Salvator Mundi – Approximate Annual Yields

	Currency	US\$ Purchase	US\$ Sale	Purchase	Sale	Years	Est Yield	Seller	Buyer
STG	45	125	10.000	1958	2005	47	9,8%	Kuntz	Parish Consortium
USD		10.000	75.000.000	2005	2013	8	205,1%	Parish Consortium	Bouvier
USD		10.000	80.000.000	2005	2013	8	207,5%	Parish Consortium	Bouvier
		75.000.000	127.000.000	2013	2013	1	69,3%	Bouvier	Rybolovlev
		80.000.000	127.000.000	2013	2013	1	58,8%	Bouvier	Rybolovlev
		127.000.000	400.000.000	2013	2017	4	33,2%	Rybolovlev	Salem
		600.000	450.300.000	1500	2017	517	1,3%	Da Vinci	Salem

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