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For the benefit of investors, Artory/Winston is publishing its second investor letter that includes an overview and outlook on the art market.

In Artory/Winston's previous investor letter, we noted softening in the public and private art market in 2023 and a more conservative outlook for 2024. Given the elevated geo-political climate in the first quarter, we were vigilantly tracking the market's performance for any indication of further downturns.

Despite these cautions, the art market saw a much more stable and healthy performance than was initially expected in the first months of 2024, which carried through to a strong auction and fair season in New York this May.

We are currently seeing high market activity at the mid-tier price levels, with growing demand for a subset of blue-chip and previously undiscovered artists. We foresee price growth in these sectors and are actively exploring strategic acquisitions of such artists. With these evolutions in mind, we remain confident that market conditions will be complementary to our art investment strategy, and we are eager to take advantage of deep-value acquisition opportunities alongside our growth-oriented allocation to emerging artists.

MARKET OVERVIEW

*Auction data is sourced from the Artory Price Database.
Prices include buyer's premium.*

2024 Auction Results

In the first quarter of 2024, the auction market remained stable with a slight drop in total sales value and average price per artwork when compared to the same period in 2023. We believe that this drop is indicative of a more risk-averse market. Based on a decrease from 2023 in average price estimates for works offered in the major Contemporary & Modern evening sales in London, it seems that sellers have opted to hold their trophy artworks until market sentiment is more optimistic. The relatively low number of trophy lots may also explain the slight decrease in sell-through rate for these major London sales.

The sense that now may not be the ideal time to sell continued ahead of the Spring auction season in New York. In speaking with a number of art market players, there were low expectations for the market-defining May sales.

This pessimism was especially present for the sale of the Rosa de la Cruz Collection at Christie's. Considering the disastrous cyberattack on Christie's before the sale, many feared that many of the still-emerging artists on offer would be bought-in or face lower-than-expected sales numbers.



trying to fit in, 2004

Hernan Bas
Oil, acrylic and gouache on panel.
31 x 24 in (78.7 x 61 cm).
Estimate: **USD 70,000–100,000**
Premium Price **USD 390,600**
Christie's, New York | May 14, 2024
Rosa de la Cruz Collection | Lot 3A

Despite this pessimism, there was a high density of bids at the sale, with a healthy sell-through rate of 90% that set auction records for works by Felix Gonzalez-Torres (Cuban, 1957–1996) and Ana Mendieta (Cuban, 1948–1985). An artwork by one of the mid-career artists in our collection, Hernan Bas (American, b. 1978), also had an incredible showing—reaching a price over three times its high estimate.

The 21st Century Evening Sale that followed the sale of the Rosa de la Cruz Collection at Christie's faltered with an 18% decrease in total sales value from the same sale in 2023. Perhaps owing to the Christie's cyberattack, Christie's experienced a handful of last-minute withdrawals, including a work by Brice Marden estimated at \$30MM–50MM, which would have buoyed their sales numbers.

Unlike Christie's, the Contemporary Evening Auction at Sotheby's showed significant growth from 2023. Total sales value for the auction was up 42% and average price per artwork increased by 20%. Highlights from the sale included a large-scale sculpture by Louise Bourgeois, which sold for over \$32MM, and a work by Basquiat, which sold for over \$28MM.

Across the board for New York's May auction sales, one key takeaway was the growth in representation and value for female artists. According to Sotheby's, 30% of the lots sold in New York were works by women artists—up from 19.5% of lots in 2019. Notable among these artists was Michaela Yearwood-Dan (British, b. 1994), whose works exceeded high estimates in sales at both Sotheby's and Phillips. An artwork Leonora Carrington (British, 1917–2011) sold for \$28.5MM at Sotheby's Modern Evening Auction, far surpassing the artist's previous auction of \$3.3MM.

New York Art Fairs (TEFAF, Frieze, and Independent)

In our previous investor letter, we reported that appetite for artworks priced in the \$50–\$150K range was high, while multiple trophy pieces in the \$10–50MM range remained unsold in the private art market. Despite some expectations that this trend would continue into 2024, the private art market showed an increase in activity at all levels of the market.

Dealers reported strong sales at both Frieze New York, TEFAF, and Independent, with high activity and demand for artworks ranging from \$1–10MM. The demand for trophy pieces in the \$10–50MM increased slightly, with plenty of room to grow as collectors wait for additional trophy artworks to come to the market.

This New York art fair season had a solid number of very high-quality blue-chip artists on display. Our specialist team performed a considerable amount of due diligence on these artworks as we set our eyes on blue-chip anchor pieces for our investments. Due to the competitive demand of artworks in the \$1–10MM, our specialist team recommended against purchasing artworks at the fairs in favor of off-market opportunities through our deep network and clientele.

Outlook for 2024

Given the growth in value demonstrated at Sotheby's this May, we continue to expect the art market to stabilize in 2024 and believe it is an opportune time to acquire strategically-selected, blue-chip artworks. Geopolitical uncertainty will determine the market's overall performance, especially at the blue-chip level. We continue to monitor opportunities to acquire such works at advantageous prices and are in active negotiations for artworks ranging from \$1–10MM.

Asia's art market has shown continued resilience, with a growing number of and appetite from private collectors that has outpaced Europe and the US. Considering the growth in China's art market in the past year, we continue to pay close attention to opportunities for both buying and selling artworks in this region in 2024. With the art market's strong performance over the past few months, we're certain the demand for emerging artists and lower-priced mid-career artists will continue in both the public and private art market and remain confident this section of our portfolio will perform considerably well in 2024.

PORTFOLIO OVERVIEW

Following our first closing in November, we have acquired 18 assets, with multiple potential purchases in our acquisition pipeline. Below are some highlights:

- In line with the growing representation of women artists in the art market, over 50% of our portfolio is allocated to women artists with the goal of cultivating both representation in the art market and value for our investors
- Since the beginning of 2024, the artists in our portfolio have been sold at auction a total of 9 times. The large majority of these sales have exceeded their high estimates, signaling the strength of the acquisitions made by our specialist team.
- We recently sourced a significant artwork by a mid-career artist through a private sale in New York. The work has been requested for inclusion in a major retrospective exhibition for the artist. Due to the high potential for value appreciation following such an exhibition, we have worked diligently with our fund administrators to fulfill this request and the piece will be exhibited in New York this summer.
- We are actively vetting potential blue-chip artworks and monitor the market daily for ideal opportunities for acquisitions.

Portfolio Highlight: Hernan Bas (American, b. 1978)



Hernan Bas in his studio.

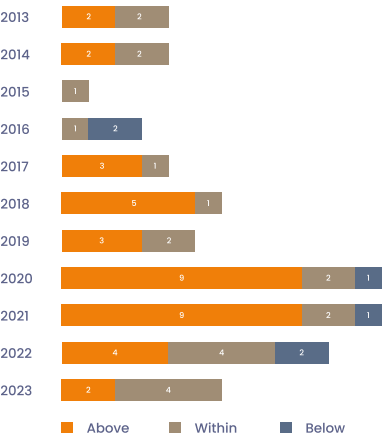
Artory/Winston was pleased to acquire a work by Hernan Bas through a private, off-market transaction. Born in Miami, Florida, and currently based in Detroit, Bas is recognized for his evocative and intricate works that often explore themes of identity, adolescence, and mythology. Represented by Lehmann Maupin and Perrotin, Bas is a coveted artist among many major collectors, making his works both highly desirable and challenging to acquire.

We anticipate significant appreciation in Bas’s market value given his recent solo exhibition at The Bass Museum in Miami and his strong auction track record, which includes the recent sale of his artwork at the sale of the Rosa de la Cruz Collection at Christie’s.

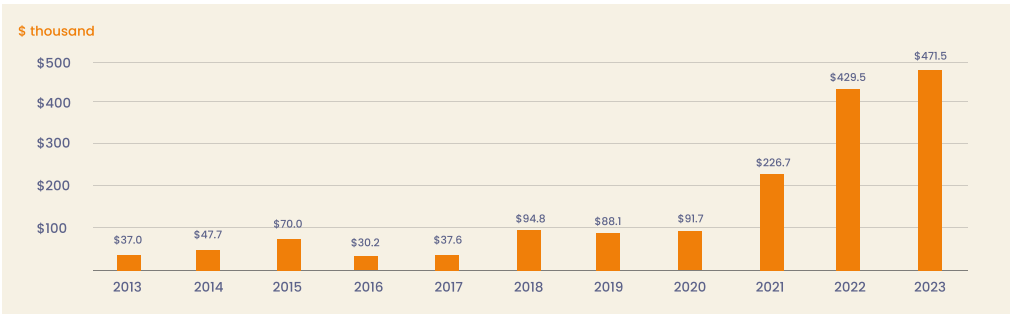
Looking at the artist’s auction track record over the past 10 years, our specialists note a healthy increase in value for paintings by the artist with an average price per artwork increase of 10% between 2022 and 2023. Though fewer artworks appeared at auction in 2023 compared to the previous two years, the artist had an impressive 100% sell-through rate—likely suggesting an increase in both desirability and demand that we expect will continue through 2024 and beyond.

In line with our strategy to maximize investment returns, we intend to retain the Bas artwork and closely monitor his auction performance, positioning ourselves to capitalize on the anticipated market growth.

Hernan Bas: Lots Sold Above High Estimates, Within Estimates, and Below Low Estimates (2013–2023)



Hernan Bas: Total Sales Value in USD (2013–2023)
Prices include premiums



Artory/Winston is a private art and collectibles asset manager established as a joint venture between Artory and Winston Art Group. Artory/Winston's mission is to create credible investment opportunities by sourcing the finest artworks and collectibles with high potential to grow in value and generate strong returns for our investors. To create these unique offerings, Artory/Winston adheres to an institutional-quality investment process by leveraging the data and technology of Artory as well as the domain expertise and services of Winston Art Group. Sharing office space on 56th Street in Manhattan, the Artory and Winston teams work side-by-side to build innovative asset management solutions for trusted real-world assets.

Investment Committee Biographies

Elizabeth von Habsburg | Co-CEO, Artory/Winston



Elizabeth von Habsburg founded and leads Winston Art Group the largest independent art advisory and appraisal firm in the U.S. She is qualified as an expert witness in Fine Art and Decorative Art and lectures worldwide on all aspects of art. Elizabeth is certified by the Appraisers Association of America in Modern and Impressionist Art and European Furniture and Works of Art. Before Winston Art Group, Elizabeth served as President of U.S. operations of an international appraisal and advisory firm for 18 years and as Vice President of Habsburg Auctioneers. Elizabeth began her career at Christie's as Assistant Vice President in charge of appraisals. She is a Fellow of the Pierpont Morgan Library and the Royal Institution of Chartered Surveyors (RICS) and is a member of the Women Presidents Organization and ArtTable. She has testified as an expert witness in four jurisdictions and lectured worldwide. In 2015, Elizabeth was named one of the 50 Most Influential Women in Private Wealth, by Private Asset Management.

Nanne Dekking | Co-CEO, Artory/Winston



The art historian, Nanne Dekking, is the founder and CEO of Artory Inc., New York and Artory GmbH, Berlin with 25+ years of global expertise and influence in the art market. Artory is a world leader in physical artwork tokenization and the blockchain-secured registration of verified provenance information about artworks and collectibles. In his former position at Sotheby's New York, Nanne was Vice Chairman and the Worldwide Head of Private Sales. His commitment to independent scholarship and data, as well as his close relationships with collectors and museums in North America, Asia, and Europe were integral to the continued growth of private sales at Sotheby's. Prior to joining Sotheby's, Nanne was Vice President of Wildenstein & Co., where he advised individuals, museums, and foundations on the formation and development of their collections.

From 1996–2001, Nanne was the founder and principal of Nanne Dekking Fine Arts, an art consultancy firm and gallery in New York. He was the Chairman of the Board of Trustees of The European Fine Art Fair (TEFAF) through June 2020 and is a current advisory board member of the Responsible Art Market Initiative.

Nanne regularly gives his thoughts on the art market, blockchain, and tokenization for publications such as *Bloomberg* and *The Financial Times*.

ABOUT ARTORY/WINSTON (CONT.)

Investment Committee Biographies



Peter Loukas, CFA, CAIA | CIO, Artory/Winston

Peter Loukas is Artory's Chief Investment Officer with over 13 years in investment management and capital markets. Peter's experience includes the management of a \$200MM credit investment portfolio, the securitization of over \$5BN of credit assets, and the due diligence of private real asset funds totaling over \$7BN in commitments. Peter spent the past 7 years in the fintech sector, including as the VP of Strategy and Capital Markets of Laurel Road, which was sold to KeyBank, and as the Co-CIO and General Manager of Lumida Wealth, an independent RIA mandated for digital asset investments. Early in his career, Peter worked in the Real Assets Investment Group at Cambridge Associates and in capital markets advisory for private real estate investors. Peter is also a CFA® charterholder and CAIA® charterholder.

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