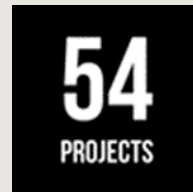


Family Office Presentation December 2023

54 Projects | 54 Art Fund

"Where art and finance meet"



Family Offices and Art Investing

Art is a new important alternative asset class that is attracting the attention of family offices and other investors.



Art as an Alternative Investment

Taking the plunge

When investing in gold (a commodity unlike art where each piece is novel and unique), investors do not restrict themselves to just buying physical gold, like coins or bullion. Alternatives to investing in gold include buying shares of gold mining companies or gold exchange-traded funds (ETFs). You can also invest in gold by trading options and futures contracts. **Similarly, today when you invest in art you can either buy art, buy shares of companies in the art world, provide auction guarantees, or invest in an art fund.**





Here's what family offices should know about ways to invest in the art market.

Art and art funds have a great potential for appreciation and hedging against economic downturns, but like with any asset class, investment requires expertise and an understanding of the art market.

Market

The market is broadly divided into three categories:

Blue Chip

Mid-Career

Emerging

There are also many sub-categories which may vary from artist-to-artist.

Indices

There are several indices that track the art market, for example, Artnet, Mei Moses, and Wondeur. However, none are equivalent to an equity or debt market index investment. Also, private sales account for more than 50% of the art market. Indices do not include works of art that fail to sell at auction. Art market indices nevertheless help collectors and owners better understand market trends, including changes in taste, and correlation to other markets.

Key Art Indices

Index	Description
Artnet	Tracks seven standard indices: Top 100 Artists, European Old Masters, Impressionist Art, Modern Art, Post-War Art, Contemporary Art, and Chinese Art and Artist Indices. Art-auction data going back to 1985. Median prices.
Mei Moses	Tracks all live and online auction sales at Sotheby's, Christie's and Phillips for artworks that previously sold at public auction, going back roughly 200 years. The indices are based on data covering more than 80,000 works of unique art by more than 10,000 artists across a wide range of styles, from Old Masters through Contemporary. Focus on higher value works of art.
Wondeur	Uses Artificial Intelligence (AI) to recognize pricing patterns for 240,000 artists born after 1900, based on analysis of non-transactional drivers of value in the art world. Covers 95% of Post-War and Contemporary artists across a wide range of mediums, including painting, photography, work on paper, mixed-media, sculpture, print and installation. Includes activity of market influencers, e.g., museums and galleries, on artists' trajectories—and art valuations. Coverage extends beyond just auctions.

Source: Morgan Stanley

Unfolding Opportunity

With the availability of more longer-term performance data for this new asset class, the low correlation of postwar and contemporary art to other markets, and the potential for capital appreciation, some investors are now realizing that their portfolios may benefit from an allocation to art.

Investing

Investing in art as an asset class is accomplished by buying and selling strategically—category by category, artist by artist, piece by piece. And much like picking individual stocks or bonds, success depends on which works of art you buy, when you buy, and when you sell. This is equally true whether bought individually or through an investment in an art fund.

Three Critical Investment Questions

Art is an asset class unlike any other. The art market, for the uninitiated is confusing, fragmented and inefficient, which offers significant advantage to established participants, often those who have the best information over those who are new collectors in the market. Art nevertheless can offer a low correlation to other major asset classes and lower price volatility, as well as potential for attractive risk-adjusted returns.

Source: Morgan Stanley

What?

How?

When to Buy/Sell—

Invest in art?

Approaches to Art Investing

Investing in individual works of art and investing in a diversified art fund are two distinct approaches to art investment, each with its own set of advantages and challenges.



Here's a breakdown of the key differences

Buying individual art works versus
investing in a diversified art fund



Buying Individual Works of Art: Advantages and Challenges

Advantages/ Challenges	Description
Ownership	When you buy individual works of art, you directly own the specific pieces you acquire.
Control	You have control over which artworks to purchase, where to display them, and when to sell.
Enjoyment	You can derive personal enjoyment from living with and appreciating the artworks in your collection.
Diversification	Often challenging for an individual to achieve a high level of diversification even with a multimillion-dollar budget, which can result in exposure to concentration risk.
Liquidity	Selling individual artworks can be a slow process, and the illiquidity of the art market might make it challenging to quickly convert your investment into cash.
Market Expertise	Successful individual art investment often requires a good understanding of the art market, trends, and the specific artists you are interested in.
Cost & Expenses	Storage, freight, shipping and transportation, packaging, insurance, promotional and marketing expenses related to artworks and brand building, photography, documentation and digitization of artworks, legal fees, transfer taxes, appraisal expenses, and expenses and fees for third-party service providers, e.g., security, as well as conservation and collection care expenses.

Buying Individual Works of Art: Takeaway Points

Considerations	Description
Risk Tolerance and Goals	Your risk tolerance, investment goals, and preferences should guide your decision. Some investors prioritize potential financial returns, while others value the personal enjoyment of owning specific artworks.
Expertise and Time Commitment	Consider your level of expertise and the time you can commit to managing an art collection. Owning individual artworks might require more hands-on involvement.
Market Trends and Conditions	Art markets can be influenced by trends, economic conditions, and cultural shifts. Staying informed about these factors is crucial.

Investing in a Diversified Art Fund: Advantages & Challenges

Advantages/Challenges

Description

Diversification and Scale

Art funds pool capital from multiple investors to create a diversified portfolio of artworks. This diversification helps mitigate the risks associated with investing in a single work of art. Scale helps with expenses and negotiations with auction houses and other sellers.

Professional Management

Art funds are typically managed by professionals with expertise in the art market. They make decisions on acquisitions, sales, and portfolio management.

Liquidity

Art funds can provide investors with more liquidity compared to owning individual artworks. Investors can buy and sell fund shares, which represent a proportionate interest in the fund's art holdings.

Access to High-Value Art

Investing in a fund allows you to gain exposure to high-value artworks that might be financially out of reach for an individual or even HNWI investor.

Expertise without Active Involvement

You can benefit from the expertise of fund managers without the need for active involvement in the art market.

Lower Entry Barriers

Investing in a fund may require a lower initial investment compared to buying high-value individual artworks.

Challenges of Fees

Art funds typically charge management fees and may have performance-based fees, impacting overall returns.

Enjoyment

While you may benefit financially, the personal enjoyment of living with the artworks might be limited compared to owning them individually.

Types of Art Funds

Mutual or Hedge Fund

Art investment funds are privately managed art portfolios structured like other types of investment funds, e.g., a mutual fund or a hedge fund, that is professionally managed. The manager uses their expertise to select and manage the fund's art portfolio.

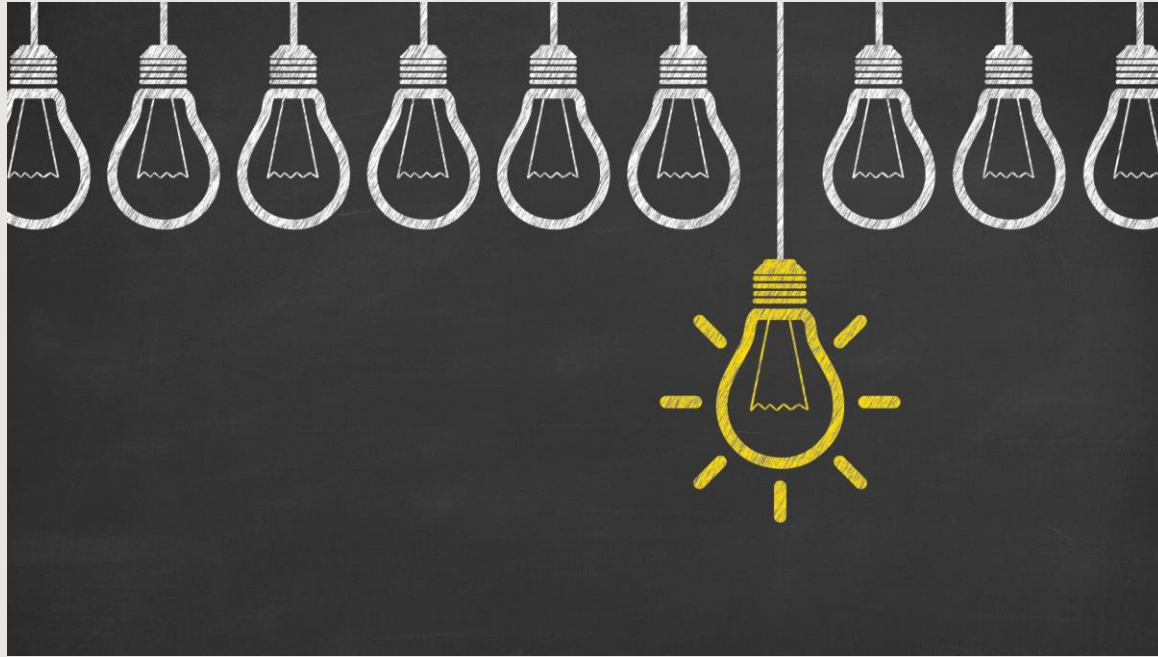
Securitization/Fractionalization

Some art investment funds let you buy fractional shares in an art piece. By buying shares in an artwork, you typically own a portion of a company that owns the artwork.

Why should High Net Worth (HNW) and Ultra High Net Worth (UHNW) individual collectors include art funds in their portfolio?

An investment in an art fund is a pure financial play. It is removed from a collector's own tastes or biases and can enhance returns and diversify risk in their art as well as overall asset allocation.





Ultra High Net Worth Individuals (UHNWIs).

UHNWIs hold an estimated \$1.481 trillion in art.

In addition to offering an opportunity for diversification and return enhancement, art funds with “patient capital” also help to build market liquidity, including primary and secondary markets.

Source: Deloitte, Art and Finance Report 2021.



Art Funds are a valuable addition to the art market ecosystem

Art funds provide depth and liquidity. They also encourage the growth of art indices which are a prerequisite for some investors seeking to enter the art market.

Fund Highlights

“Where art and finance meet”

54 PROJECTS | 54 ART FUND

Series 1: Postwar and Contemporary African Artists

Series 2: Postwar and Contemporary African American Artists

Series 3: Postwar and Contemporary Asian Artists

Series 4: Postwar and Contemporary British and European Artists

Series 5: Postwar and Contemporary Latin American Artists

Series 6: Postwar and Contemporary Global Artists

Postwar and
Contemporary Art
Funds that are:

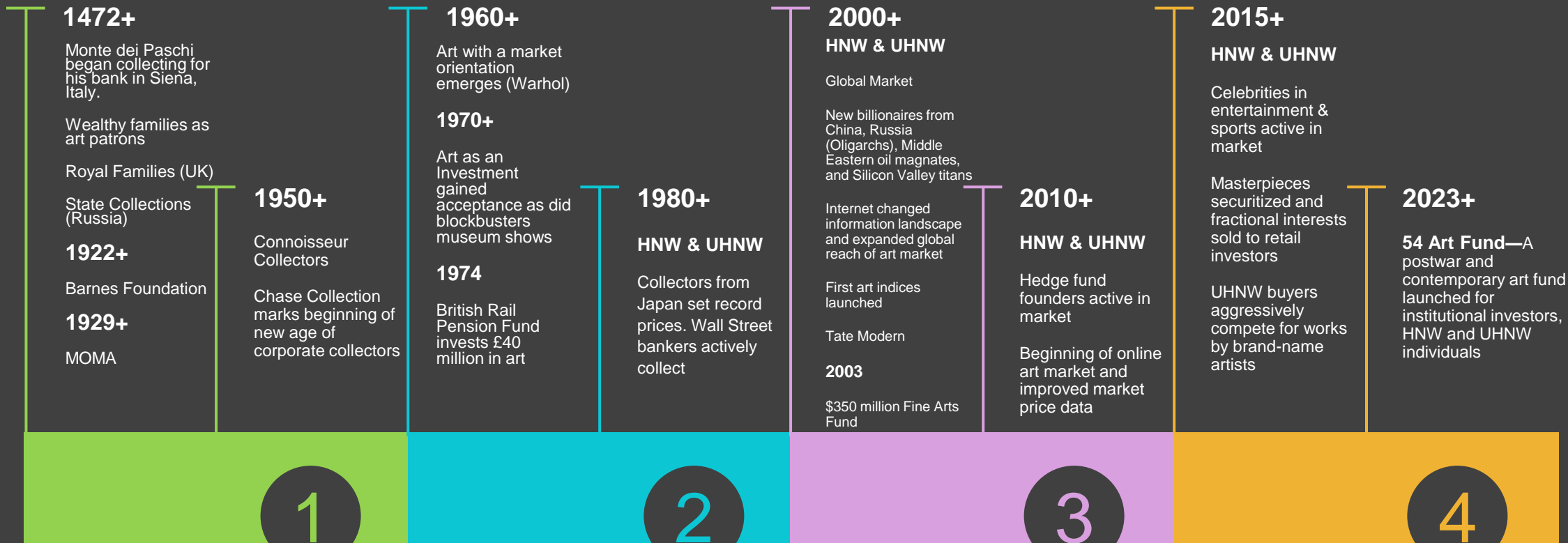
Diversified

Institutional Grade

Available for qualified HNWI
and UHNWIs

Highly differentiated

54 PROJECTS ART MARKET TIMELINE



For more information

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www.54projects.com | www.54artfund.com

IMPORTANT DISCLOSURE

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The limited liability company membership interests in the Fund are speculative securities and their purchase involves a high degree of risk. You should consider all risk factors set forth in the Memorandum before investing in the Fund. Specifically, you should be aware that:

- The Fund will rely on third parties not affiliated with the Manager to meet its investment objectives.
- There may be significant potential conflicts of interest between the Fund and the business interest of the Manager and its Art Expert.
- The Manager will control the operations of the Fund.
- The Manager or its Members may from time to time learn of investment opportunities or make investments for their own account or on behalf of others that may also be suitable for the Fund. In such cases, there will be a conflict of interest in determining how to allocate the investment opportunity. In such event, the Manager will allocate such opportunity in a manner it reasonably believes to be fair and equitable.
- You could lose a substantial portion, or even all, of your investment.

Tax-exempt investors should consult their tax, legal and financial advisers regarding the specific tax consideration of an investment in the Fund.

Withdrawals and transfers are restricted; no market exists or is expected to exist for the limited liability company membership interests.

The Fund is not a mutual fund and is not subject to regulation under the Investment Company Act of 1940, as amended.