



# 54 Art Fund Series 2:

Post-war and Contemporary  
African American Artists

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54 PROJECTS

JULY 21, 2023

# Important Disclosures

This presentation is for discussion purposes only and does not constitute an offer to sell or a solicitation of an offer to buy an interest in 54 Art Fund LLC (the “Fund”). Any offer to sell or solicitation of an offer to buy an interest in the Fund may be made only by the delivery of relevant Fund placement documents (the “Documents”) including to but not limited to the Limited Liability Agreement, specifically addressed to the recipient thereof. If the terms of this document and the Documents are conflicting, the Document’s terms shall control. You must be an “accredited investor” to receive a copy of the Memorandum, but only investors that meet the Fund’s investor suitability requirements will be allowed to invest.

In deciding to invest in any securities of the Fund, prospective investors should rely only on the Documents for such securities and not on these materials, which contain preliminary information that is subject to change and that is not intended to be complete or to constitute all the information necessary to adequately evaluate the consequences of investing in such securities. No representation or warranty (express or implied) is made with respect to the information contained herein (including, without limitation, information obtained from third parties) and 54 Projects (the “Manager”) expressly disclaims any and all liability based on or relating to the information contained in, or errors or omissions from, these materials; or based on or relating to the recipient’s use (or the use by any of its affiliates or representatives) of these materials; or any other written or oral communications transmitted to the recipient or any of its affiliates or representatives in the course of its evaluation of the Manager or any of its business activities. The Manager undertakes no duty or obligation to update or revise the information contained in these materials.

The recipient should conduct its own investigations and analyses of the Manager and the Fund, and the information set forth in these materials. Nothing in these materials should be construed as a recommendation to invest in any securities that may be issued by the Fund or as legal, accounting or tax or other advice. Before deciding to invest in the Fund, a prospective investor should carefully review information respecting the Manager and the Fund and consult with its own legal, accounting, tax and other advisors in order to independently assess the merits of such an investment.

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.

# Opportunity

The global art market in 2022 was estimated at \$67.8 billion (Art Basel & UBS Report) and valued overall at \$1.7 trillion (Deloitte) including collectibles.

Post-war and contemporary African American art is among the fastest growing segment of the \$6.7 billion post-war and contemporary art market. It offers opportunities for superior long-term returns and prospects of continued rapid growth relative to other available investments. African American artists represent a growing segment of new talent in the post-war and contemporary art market.

The art market over the past two decades has become more structurally efficient with online auctions houses, databases, real time market data, catalogs, fairs, and artist websites. The internet and digital technology are the catalysts for these trends which have increased transparency and market opportunities. Art today is now within reach for more people than ever and is fast becoming a new alternative investment category.

The 54 Art Fund seeks to offer a relatively low base entry point by comparison to other potential avenues for investors willing to invest and to wait as the nascent market develops and values appreciate long-term.

*NB: Contemporary art is work by living artists, or those who have died in recent years. Modern art typically applies to work from 1880s to the 1970s.*

# Investment Strategy

The 54 Art Fund Series I will seek to achieve attractive risk-adjusted investor returns through acquisition of post-war and contemporary African American art works in the primary and secondary art markets for long-term appreciation and short-term gains as appropriate.

# Investment Objective

The Fund's target annual return is 10% to 14% (1). The Fund's art collection may be selectively exhibited and loaned where the Manager believes this may enhance the value of the collection and returns.

1. Projected returns are based on management projections; actual returns may differ. Certain assumptions have been made for modeling purposes and are unlikely to be realized. No representation or warranty is made as to the reasonableness of the assumptions made or that all assumptions used in achieving the returns have been stated or fully considered. Changes in the assumptions may have a material impact on the hypothetical returns presented.

# Benefits for Investors

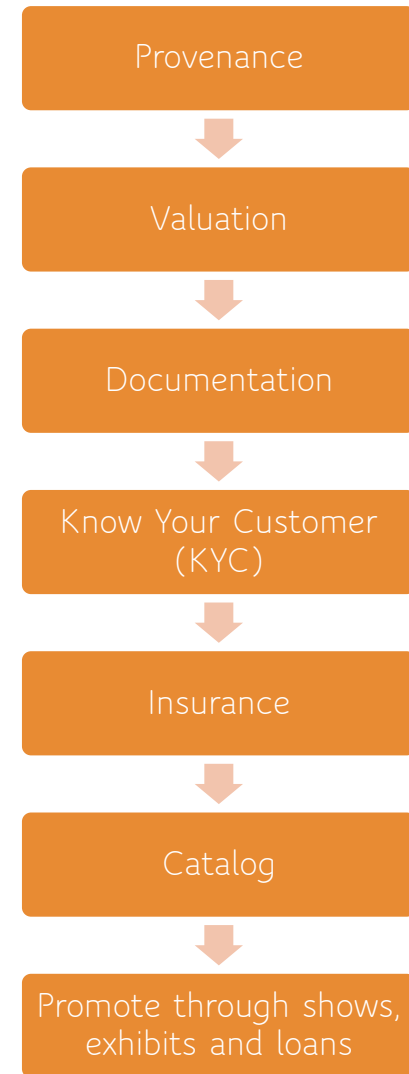
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- Portfolio selected by managers with substantial experience in post-war and contemporary art market
- Low correlation to traditional debt and equity markets
- Participation in art market without the high ownership costs of physically holding artworks (e.g., insurance, storage, transportation, handling, and other costs)
- Dedicated gallery space to showcase the art



# Thorough Investment Process

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# Compelling Value Proposition

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54 ART FUND

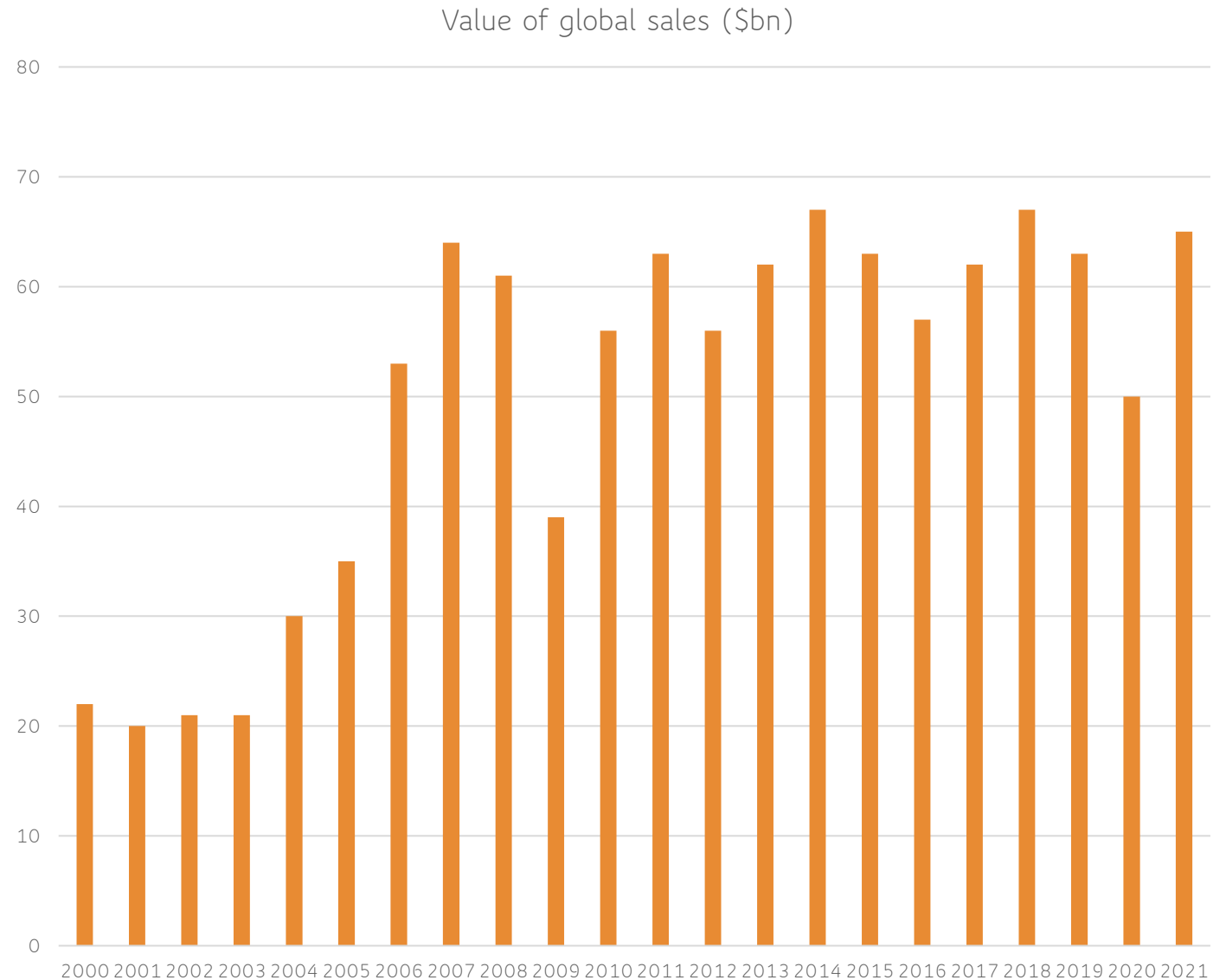


# Art Market Demonstrated Resilience with Post Covid-19 Recovery

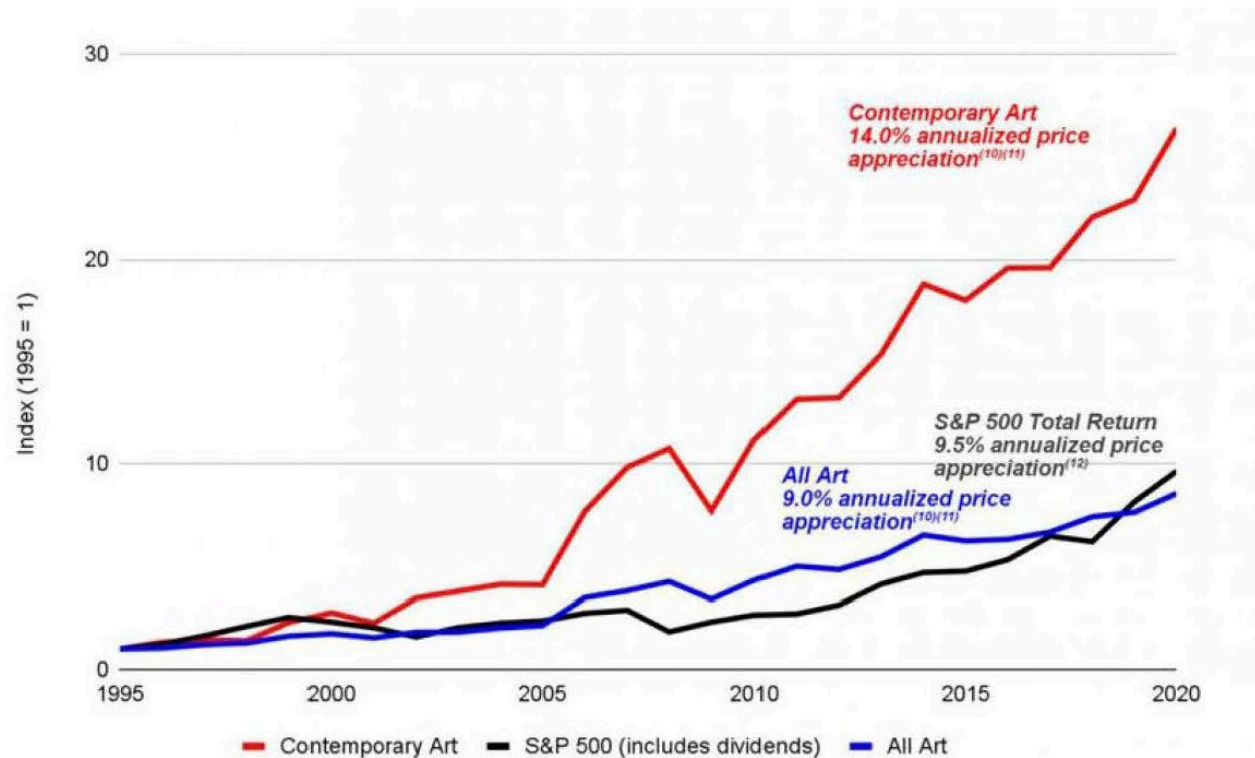
Robust and resilient—market  
hedge against volatility of global  
debt and equity markets.

A smart alternative investment  
vehicle.

Source: Art Basel & UBS



# Outperformance: Contemporary Art



Value-Weighted Art Indices vs S&P (Total Return) Indices Since 1995  
Based on repeat sales from 1995 to 2020

“Generally, appreciation in the blue-chip art market is driven by three key global factors: 1) growth in the purchasing power of the ultra-high-net-worth community, 2) the diminishing supply of available artwork (as it is acquired by museums and permanent collections), and 3) the international marketability of the asset. These macro drivers are global and somewhat unique to art, which has resulted in the asset class being generally uncorrelated to traditional investment markets like stocks and bonds.”

Source: CAIA

# Low 25 Year Correlation of Art to Other Markets: 1995 to 2020

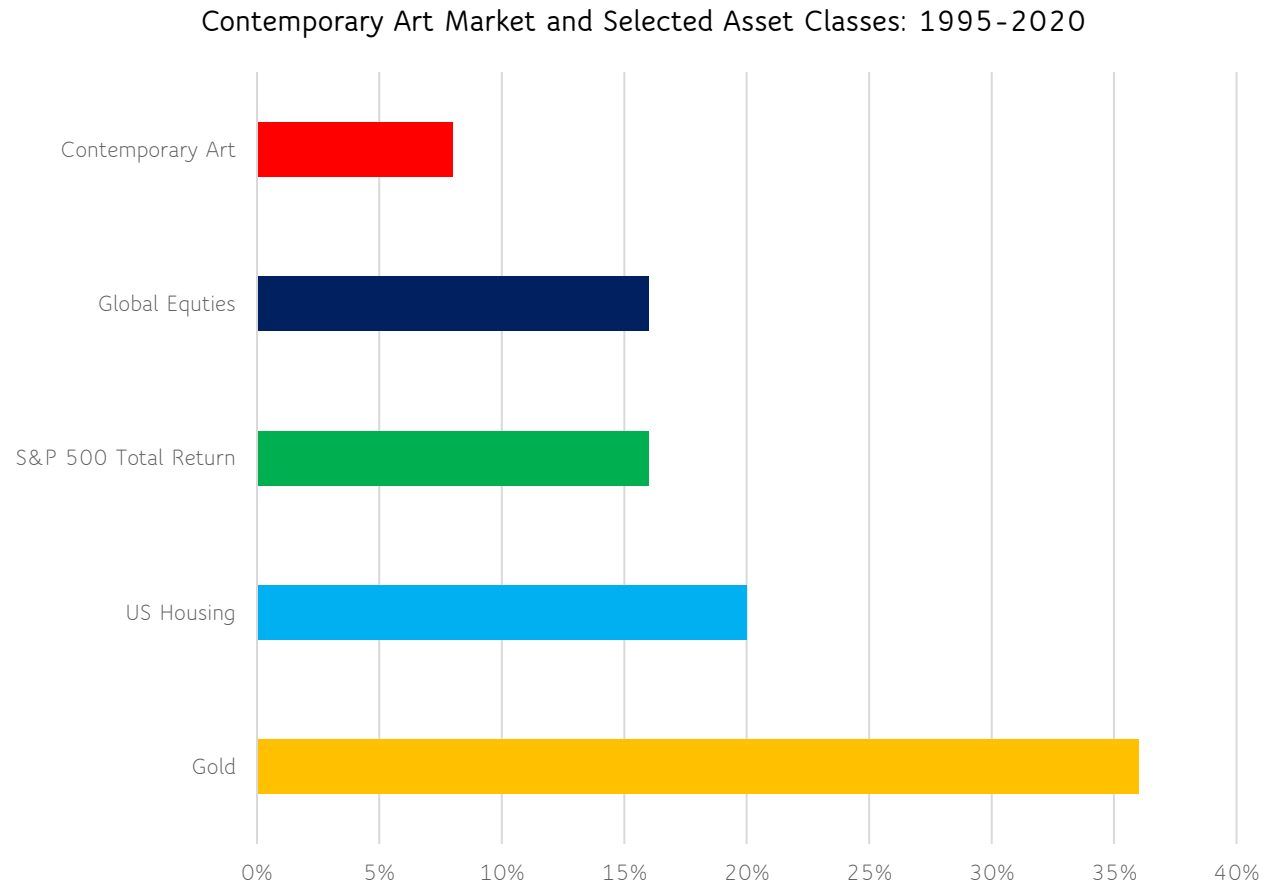
	Contemporary Art	S&P 500	Global Equities	US Corporate Bonds	US Housing	Gold
Contemporary Art	1.00					
S&P 500	(0.06)	1.00		Correlation < 0.1		
Global Equities	(0.01)	0.95	1.00			
Bonds	(0.09)	0.35	0.34	1.00		
US Housing	(0.08)	0.28	0.32	0.10	1.00	
Gold	0.20	(0.10)	0.10	0.39	(0.23)	1.00

Source: CAIA Associates

# Low Loss Rates for Contemporary Art

Contemporary art has demonstrated relatively low loss rates, experiencing realized losses only approximately 8% of the time, as measured over a 2-year investment horizon. The maximum net loss over this time was 11.4%. These low loss rates are in part attributable to low transaction volumes during unfavorable market conditions. The lack of correlation, combined with Contemporary art's strong preservation of capital characteristics, make it an attractive risk diversifier asset class that can help improve the downside protection of a portfolio.

## Observed Loss Frequency Over 2 Year Horizon



Source: CAIA

# Art Market Overview

54 ART FUND

# Art Market Eco-System

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Art Galleries - Select and promote portfolio of artists, i.e., the link between artist and collectors (Galleries help artists build their careers and livelihood as professional artists by providing commercial infrastructure to support the artist and their work)

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Art Fairs- Convenient venues to buy and sell and compare prices

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Auction Houses (Bonhams, Christie's, Phillips, Sotheby's and others) - Source of price transparency

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Art Advisors- Help collectors navigate market by defining strategy, bidding tactics, negotiating price/terms, collection management, and funding, if required

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# Primary Market

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Where artwork is sold for the very first time either directly by the artist or through a gallery. It is the first time a price is set for the artwork. The price is typically based on the artist's exhibition history, sales history, if any, career stage, and size of the artwork. The greater the demand for an artist, the higher the possible price in the primary market

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Galleries are in direct contact with collectors who are the first owners of the art

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Artist reaps proceeds and gallery earns a commission

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# Secondary Market

Prices for artworks on the secondary market are determined by factors such as condition, provenance, and the significance of the artwork within the artists' body of work or "oeuvre." If an artist is associated with a top gallery or represented in an influential public or private collection, it can have a positive impact on the price

Source: Artland Magazine





# Pricing Metrics

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Stage	Primary Market	Secondary Market	Comments
Emerging artists	\$1 to \$10,000	\$1,000 to \$100,000	First foray into the art market. Goal to have exhibits around the world.
Mid-Career artists	\$10,000 to \$75,000+	\$50,000 to \$500,000+	Established branded medium and aesthetic. Already featured in renowned collections, publications, or exhibits by noted institutions
Blue-chip artists	\$25,000 to \$500,000+	Up to \$300 million or more	Artists that are collected by major institutions with steady demand and selling history as well as pricing consensus in the market

NB: Sources of publicly available art price data include: Artnet, ArtPrice, ArtTactic, Art Basel, Deloitte Luxembourg, as well as major auction houses (e.g., Christie's, Sotheby's, Phillips) and other auction houses.

# Selected Post-war & Contemporary African American Artists

Opportunity

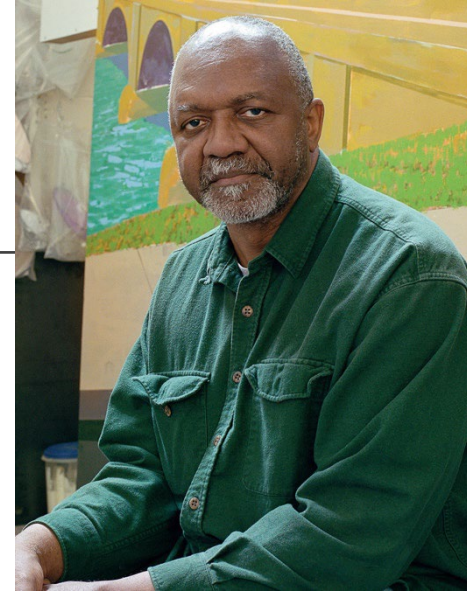
Known

Growth Potential

## Kehinde Wiley



## Kerry James Marshall



## Radcliffe Bailey

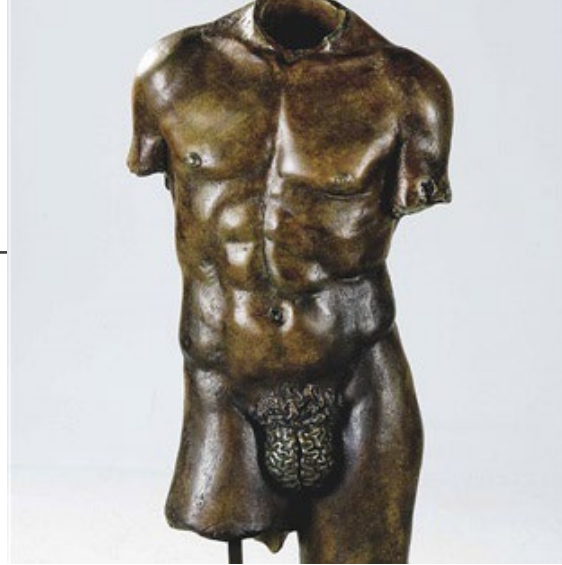


## Nick Cave





Yoan Capote



Hank Willis Thomas



Gordon Parks



Mickalene Thomas





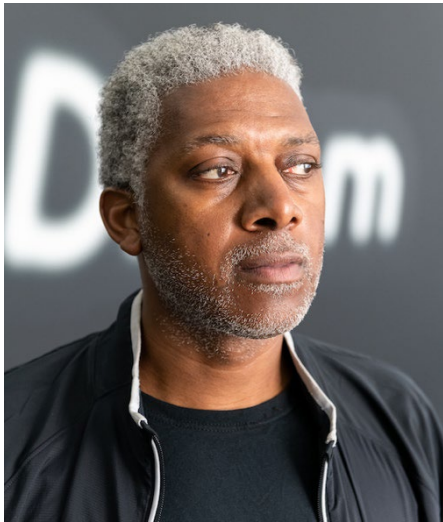
Rashid Johnson



Jeffrey Spencer Hargrave



Bernard Williams



Kara Walker





Mark Bradford



Theaster Gates



Iona Rozeal Brown



Glenn Ligon

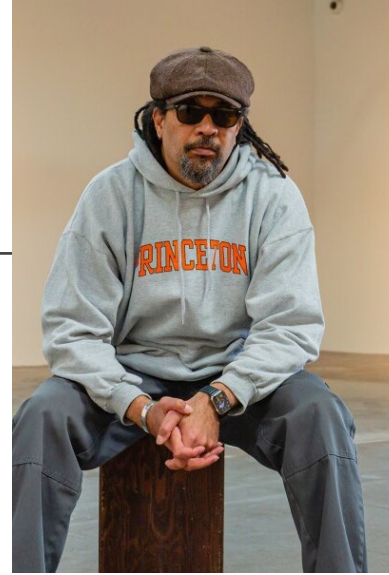




Firelei Baez



Gary Simmons



Dawoud Bey



Deshawn Dumas



# Market Performance

LEADING AFRICAN AMERICAN POST-WAR AND CONTEMPORARY  
ARTISTS



# Basquiat art talk in June 2022

“As a straight return on investment, it’s hard to beat “Untitled”, a 1982 work by Jean-Michel Basquiat, the African American street artist who became a global cultural icon, featuring a horned African mask on an abstract background across a canvas almost 5m wide.

In 2004, the painting sold for \$4.5m. Back on the market 12 years later, it fetched \$57.3m, then a record for a Basquiat. This week, it went under the hammer in New York for \$85m (£68m), including fees, to a buyer from Asia.”

Source: The Guardian

# Snapshot art talk in June 2018

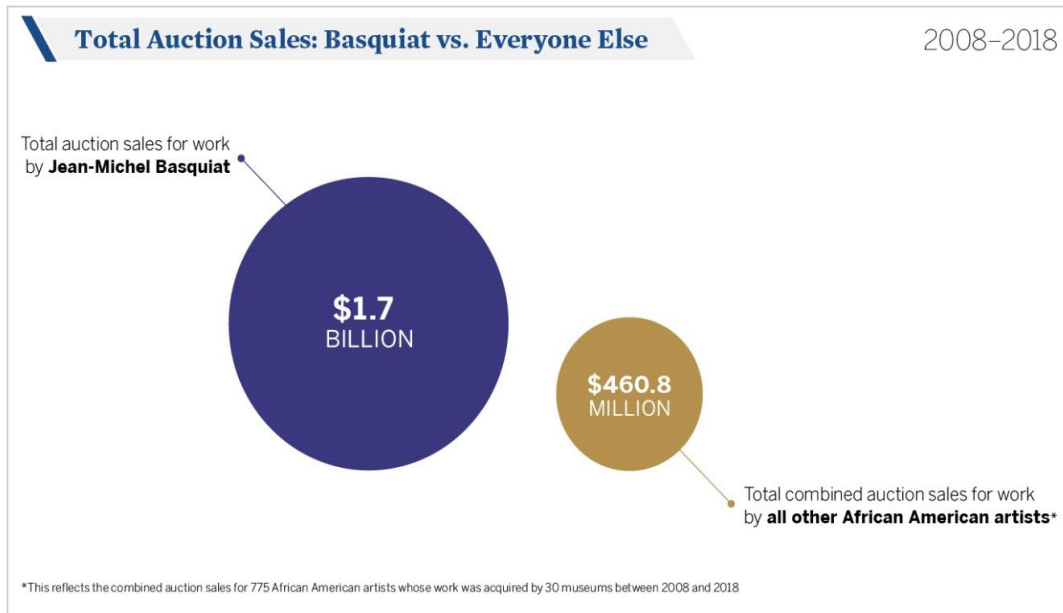
“Yes, Basquiat Is an Art-Market Superstar. But the Work of Other African American Artists Remains Vastly Undervalued

The total combined auction value of work by other African American artists is \$460.8 million—just 0.26 percent of the global auction market.”

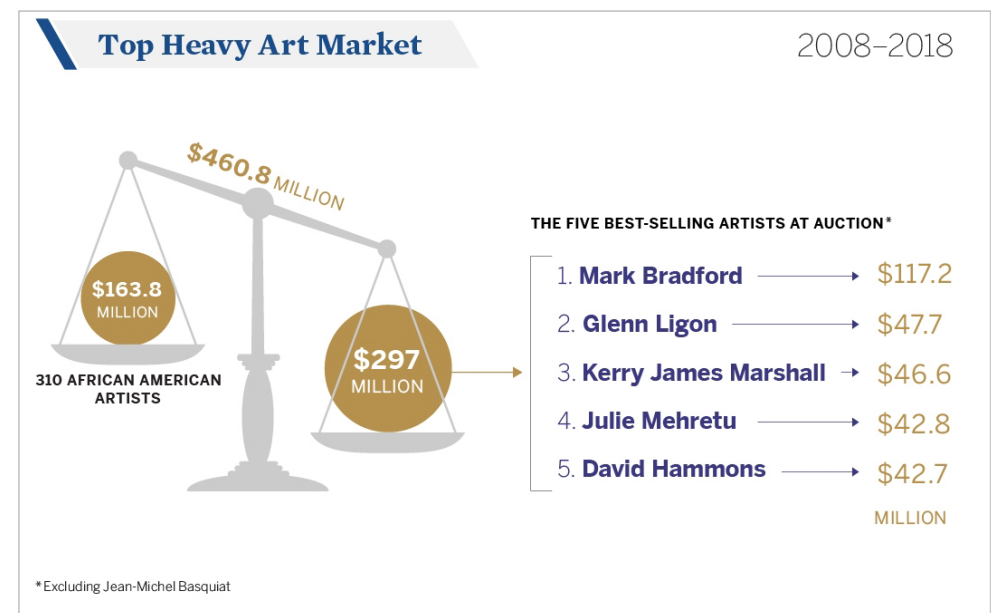
Source: Artnet

# Top-heavy market

## BASQUIAT



## NEXT TOP FIVE



Artnet: Image courtesy In Other Words at Art Agency, Partners

# Opportunity for value among emerging talent

“...this bifurcation is also a symptom of market-driven trophy hunting...artists are overlooked by buyers who instead focus on the competition to acquire material by a small handful of figures.”

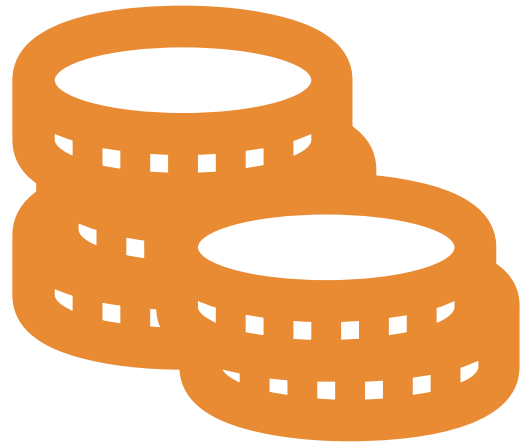
Source: Artnet, quote from: Jumaane N’Namdi, the director of N’Namdi Contemporary

# Fast forward March 2022

*"The March 31, 2022, sale of African American Art Brings 10 Auction Records and 7 Auction Debuts*

The spring 2022 offering of African American Art closed out the March auctions at Swann with an exceptional marathon sale bringing \$3.6M and seeing an 89% sell-through rate with 214 of the 241 lots on offer finding buyers."

Source: Swann Gallery



# Future Opportunities

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NON-FUNGIBLE TOKENS (NFTS)

# Confluence of Art & Technology

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## Non-Fungible Tokens (NFTs)

Traditional works of art such as paintings are valuable precisely because they are one of a kind.

With NFTs, artwork can be "tokenized" to create a digital certificate of ownership that can be bought and sold.

As with crypto-currency, a record of who owns what is stored on a shared ledger known as a blockchain. The records cannot be forged because the ledger is maintained by thousands of computers around the world. NFTs can also contain smart contracts that may give the artist, for example, a cut of any future sale of the token. In many cases, the artist even retains the copyright ownership of their work, so they can continue to produce and sell copies.

## Blockchain

A blockchain is a transparent and secure information storage and transmission technology. The information contained in this "chain of blocks" - transactions, title deeds, signatures, contracts - are protected by cryptographic processes which make the token near immutable.

The blockchain has been used for cryptocurrencies for years. It simplifies buying and selling, enables fast, direct and inexpensive transactions, while providing a secure chain of provenance and authenticity.

Source: BBC and Artprice.com

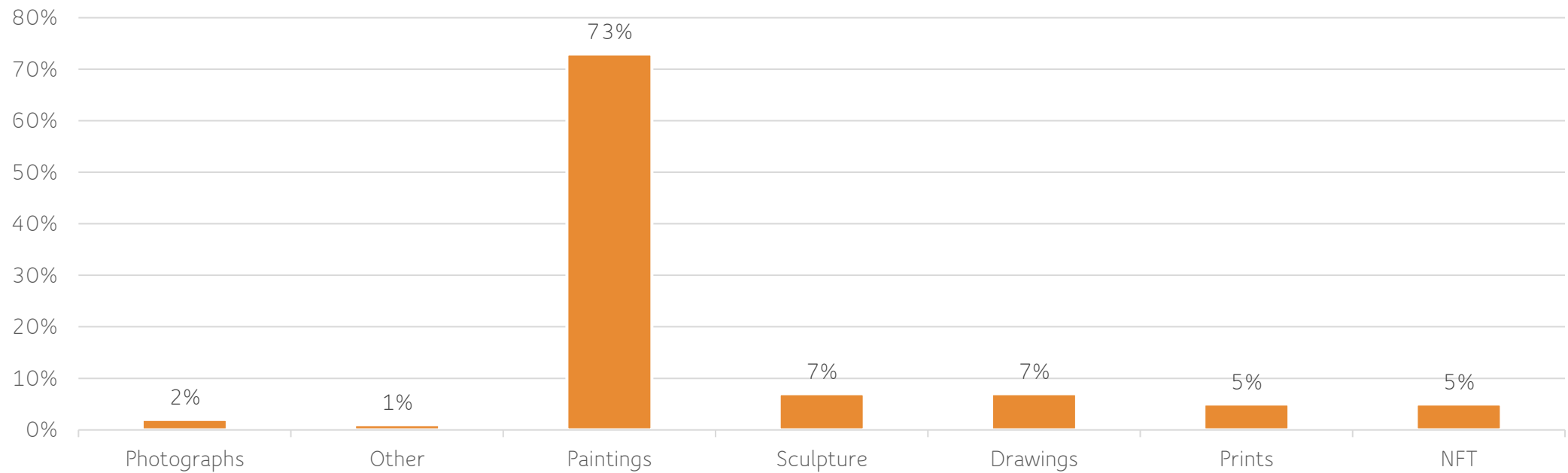
# Non-Fungible Token (NFT) Market

- Some NFT's have sold for millions of dollars and the medium has provided a means for African digital artists to join the global market for post-war and contemporary art.
- NFT have made digital art created by artists allover the world accessible to collectors in all corners of the planet.
- NFT sales volume hit a peak in 2021 at \$24.9 billion up from \$94.9 million the previous year (*source: DappRadar*). In 2022, the market retrenched significantly from its 2021 peak but remains relatively buoyant.
- The largest NFT markets platforms in 2021 were: OpenSea, Rarible, Mintable, Foundation, SuperRare, Nifty Gateway, Makersplace, and KnownOrigin.
- The highest NFT sale achieved to date was for a work by Beeple's which sold for the staggering sum of \$69.3 million at auction at Christie's in March 2021



# Contemporary art sales by medium: 2020/21

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Source: Artprice.com

# Fractionalization

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## NFTS

A fractional NFT is an NFT that has been divided into fractions. This allows broader participation in the ownership of a piece of the same NFT related to a work of art. The NFT is fractionalized using a smart contract that generates a set number of tokens linked to the indivisible original NFT. These fractional tokens give each holder a percentage of ownership of the NFT, and can be traded on the secondary market

## ART FRACTIONALIZATION FUNDS

Companies like Masterworks are also creating fractional interests in works of art as fund securities that can be tokenized.

*It is worth noting that fractionalized NFTs may like the above be considered securities and therefore subject to regulation*

# Manager of 54 Art Fund LLC (Series)

54 Projects LLC, a Delaware limited liability company, is the Manager of 54 Art Fund, a Delaware limited liability series company formed in March 2023.

# The role of the Manager

The role of the Manager includes:

- Identifying potential acquisitions
- Raising capital for the funds managed
- Investor relations management
- Investment strategy development
- Asset management; storing, maintaining, and insuring the artworks
- Art market monitoring
- Showcasing the assets through exhibitions and museum loans
- Managing the disposition of fund assets

# Team

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54 PROJECTS LLC



# Gus Udo

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Gus is a director and founder of Udo Partners Limited, the Sponsor of the fund. He has over 35 years of experience as a financial innovator and fintech entrepreneur. Gus has dedicated his career to building markets for new alternative asset classes, e.g., illiquid emerging market debt, invoices, and art. His most recent client was Airbus SAS, the world's largest aircraft manufacturer. He is a keen follower of post-war and contemporary African art. He co-hosted with Ethan Cohen one of the first post-war and contemporary African art exhibits in New York in 1990, at the Ethan Cohen Gallery. Gus was co-portfolio manager for the Nigeria Emerging Market Fund, the first ever offshore country fund for Nigerian debt and equity. He is a graduate of Harvard College and the London School of Economics and Political Science.

Gus will be responsible for the day-to-day management of the fund's operations and will make and monitor investments of the fund.



# Ethan Cohen

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A gallerist and collector, Ethan is a graduate of Harvard College and has represented both emerging and internationally renowned artists for over thirty years. Many of the emerging artists have now become household names. Ethan Cohen advises private, public, and corporate clients and is a certified appraiser with the Appraisers Association of America, specializing in contemporary Asian art and contemporary African art.

Ethan Cohen Gallery occupies a distinct place in contemporary art as a center of innovation across disciplines and countries. It serves artists and clientele through global art fairs, curatorial projects with top institutions, and as a center for seminal cultural events. Today Ethan Cohen Gallery has two gallery locations, one in Chelsea in the heart of New York City and the other in Beacon, New York.

Ethan will participate in art selection and will be responsible for artwork management for the Fund. In certain instances, due to conflicts, he will not make the ultimate selection decision.

# For additional information

[info@54projects.com](mailto:info@54projects.com)