

RESIDENTIAL RESEARCH



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LUXURY INVESTMENT INDEX

Q2 2013

CLASSIC CARS CONTINUE TO DRIVE UP LUXURY INVESTMENT RETURNS

CLASSIC CAR PERFORMANCE BOOSTS VALUE OF LUXURY INVESTMENT

The value of Knight Frank's Luxury Investment Index (KFLII) continues to rise

Continued price growth in the classic car sector and an upturn in the performance of investment-grade wines helped to boost the value of KFLII by 7% in the 12 months to the end of June 2013.

This matches the increase in the value of residential property in prime central London over the same period and is in stark contrast to the 23% fall in the price of gold since June 2012. The FTSE 100 index of UK listed equities performed slightly better, rising by 12%.

Over a 10-year period, however, KFLII (+174%), has significantly outperformed the FTSE 100 (+55%), although gold still remains the top mainstream-asset performer (+273%).

Looking at the individual asset classes represented within KFLII (Figure 3), there has been a wide variation in performance over the long and short term. Across every time period classic cars, according to the HAGI Top index, have shown the strongest growth, rising 21% over the past six months and a remarkable 430% over 10 years – better even than gold.

After a significant correction in 2011 and 2012 following an overheating in the market for certain wines favoured by Asian buyers, the Liv-ex100 index, which tracks the performance of investment-grade wines, has returned to growth.

The art market, by contrast, remains volatile. Although certain artists retain their cache and are achieving record results at auction, buyers are generally bidding more cautiously and selectively.

Stamps and coins have maintained their long-term growth trend and are now marketed as genuine investment asset classes. But furniture continues to lose ground as antique styles decline in popularity with homeowners.

The performance of KFLII shows that investing in a broad range of collectable assets can be a useful – and enjoyable – way to spread portfolio risk, especially when more mainstream asset classes such as equities are under pressure.

Over the past 10 years, there have only been four six-month periods when the value of the index has fallen. Even then the drop was 1% or lower.

However, those considering investing should bear in mind that individual asset classes can also be highly volatile as Figure 2 shows – wine and art are actually more volatile than the FTSE 100. This is not only due to economic conditions, but also to changing trends and fashions within the luxury collectables market that can quickly create and deflate bubbles.

This means index results for an asset class may not necessarily reflect the performance of individual pieces or works of art. Entire asset classes, such as antique furniture, may also see their value decline for long periods as tastes change.

Markets are also often less liquid and less transparent with higher dealing costs than publicly traded and quoted investments such as stocks and shares.



[The Wealth Report 2013](#)

The Luxury Investment Index originally featured in The Wealth Report, which is produced annually by Knight Frank.

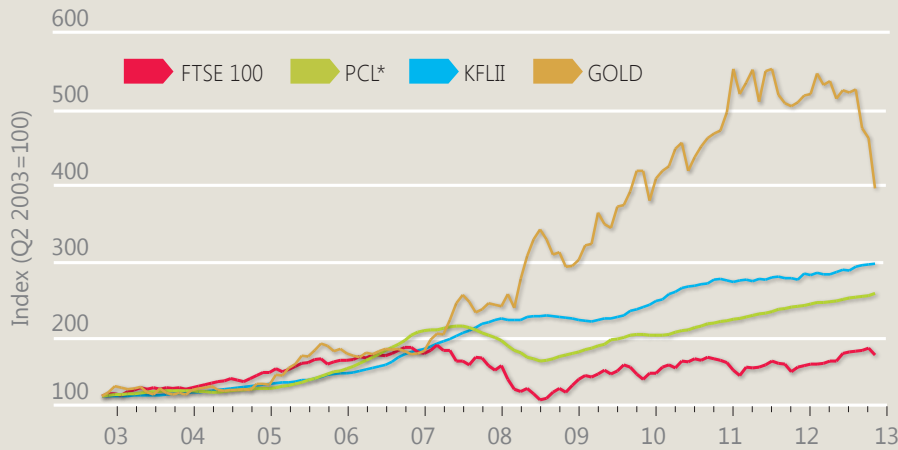
For more details please go to www.knightfrankblog.com/wealthreport



ANDREW SHIRLEY
The Wealth Report Editor

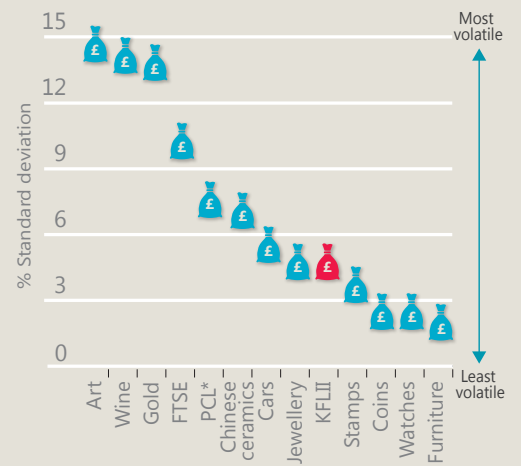
"The performance of KFLII shows that investing in a broad range of collectable assets can be a useful way to spread portfolio risk."

FIGURE 1 **KFLII v other assets classes**
(Q2 2003 to Q2 2013)



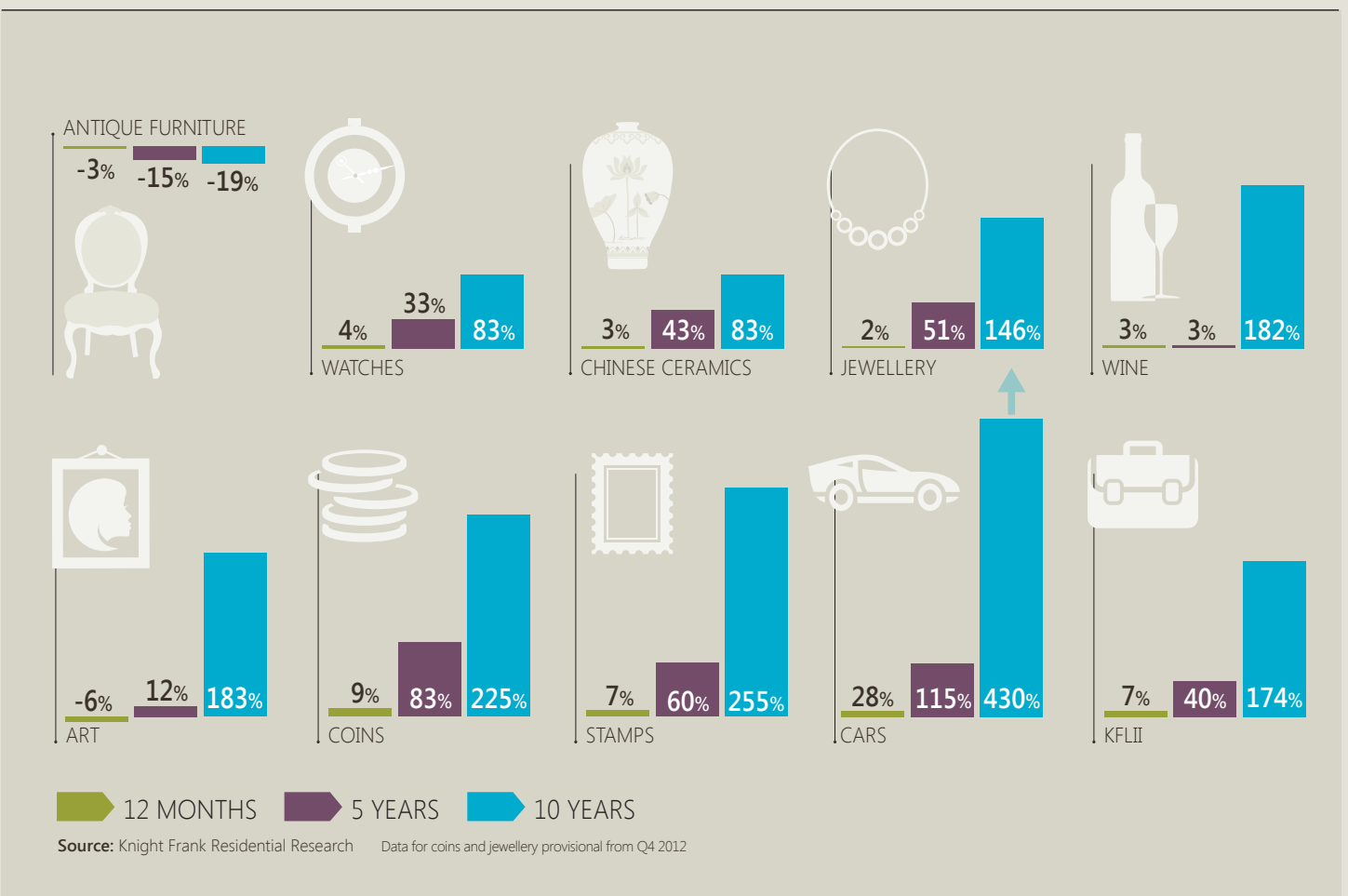
Source: Knight Frank Residential Research

FIGURE 2 **10-year asset price volatility**
(Q2 2003 to Q2 2013)



Source: Knight Frank Residential Research
*Knight Frank Prime Central London Residential Index

FIGURE 3 **Asset performance** (Q2 2003 to Q2 2013)



DATA DIGEST

The Knight Frank Luxury Investment Index (KFLII) tracks the performance of a theoretical basket of selected collectable asset classes using existing third-party indices (see below). Each asset class is weighted to reflect its relative importance and value within the basket. The third-party indices selected are widely used by the media and analysts to track the performance of each asset class, but Knight Frank can take no responsibility for their accuracy or independence. The index does not take into account any dealing, storage or management costs.

Front cover: 1967 Ferrari 275 GTB/4/. Image kindly supplied by historic automobile specialist Fiskens www.fiskens.com

The Knight Frank Luxury Investment Index

	INDEX CHANGE	6-MONTH CHANGE	12-MONTH CHANGE	5-YEAR CHANGE
Q2 2003	100			
Q4 2003	101	1%		
Q2 2004	103	2%	3%	
Q4 2004	108	4%	7%	
Q2 2005	114	6%	10%	
Q4 2005	119	5%	11%	
Q2 2006	129	8%	14%	
Q4 2006	137	6%	14%	
Q2 2007	158	16%	22%	
Q4 2007	175	11%	28%	
Q2 2008	197	13%	25%	97%
Q4 2008	204	3%	16%	101%
Q2 2009	203	-0.3%	3%	96%
Q4 2009	202	-1%	-1%	87%
Q2 2010	217	8%	7%	91%
Q4 2010	242	11%	20%	102%
Q2 2011	254	5%	17%	96%
Q4 2011	254	-0.1%	5%	86%
Q2 2012	253	-0.1%	-0.2%	60%
Q4 2012	263	4%	4%	51%
Q2 2013	274	4%	8%	39%

INDEX SOURCES

Art	Art Market Research
Chinese ceramics	Art Market Research
Antique furniture	Art Market Research
Jewellery	Art Market Research
Watches	Art Market Research
Wine	Liv-ex
Classic cars	Historic Automobile Group International (HAGI)
Stamps	Stanley Gibbons
Coins	Stanley Gibbons

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Contacts and acknowledgements

HAGI www.historicautogroup.com; Stanley Gibbons www.stanleygibbons.com; Liv-ex www.liv-ex.com; Art Market Research www.artmarketreport.com. AMR also tracks the price-movement of: sculpture, silver, porcelain, stamps, coins, toys, wine, carpets, clocks, photography, prints, classic cars and other collectibles. For more information contact artmarketresearch@easynet.co.uk

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