



Worth a lot of notes: Yehudi Menuhin tries out a Stradivarius at Sotheby's in 1971

SPEND IT WITH STYLE

Fiddle fanciers

The esoteric field of investment in fine violins

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As with vintage wines, there is a finite supply of violins made before 1785 by acknowledged craftsmen such as Antonio Stradivari of Cremona, which are the equivalent of Old Masters: around 3,000 worldwide. That makes them a very special class of investment asset, and one whose prices have been steadily rising.

They are also assets that need to be cared for in special ways. Over time, these instruments develop a signature sound — a unique depth and warmth that is the result of centuries of bowing. So it's necessary for their optimum maintenance that they should continue to be played, rather than sit in a vault or a display case. With a painting, provenance guarantees authenticity. For an antique stringed instrument, to have been played by a succession of maestros adds lustre to its name as well as helping to preserve its quality and enhance its value.

There is an added wrinkle to ownership of such

extraordinary artefacts. You could call it philanthropic, but it doesn't involve giving anything away, unless you're counting some notional yield; rather it is about lending the instrument to an aspiring musical talent. The player usually pays for insurance (at around 4 per cent per annum for a \$1 million-plus instrument) although patron-owners are certain to want additional insurance in their own name and may even foot the whole bill themselves if they feel especially generous.

The London dealer and restorer J&A Beare has a charitable arm, Beares International Violin Society, which matches instrument investor-collectors to suitable players. All top dealers in the field, with networks of longstanding clients, are well placed to make similar connections.

It is the scarcity of antique violins with a revered quality of sound that has driven the upward movement in prices. This trend has been augmented by an increasing supply of musicians from emerging markets who are determined to make their mark on the world stage. Backed by super-rich collectors who share their patriotic sentiment, Asian players are the new factor. China is as central to this investment story as it is to the current state of world stock markets. Ten million Chinese are supposedly learning to play the violin and the sheer number of these would-be maestros, plus their tiger-mothers, represents a growing force that's stoking demand in the marketplace.

But the drawbacks of musical instruments as an asset class are obvious. Cost of entry into the market is

very high for someone wishing to acquire the musical equivalent of a blue-chip stock. Liquidity is limited, with the major auction houses holding auctions only twice a year and private sales through dealers requiring a great deal of patience as well as expert knowledge. All in all, this is not a field for the fast-buck investor.

Florian Leonhard, a German who has been based in London since 1985, started out as a restorer with Hill & Sons, then graduated to making violins that are replicas of renowned instruments. He became a dealer in 1995 and has concentrated on the high-end segment of the market since 2006. He says that he deals in instruments in roughly these proportions: in an average year he sells about a hundred antique violins in total, of which about 25 go for more than \$100,000; five of those are likely to be Stradivariuses, which have a value in excess of \$2 million and go for an average of \$4 million (prices are all in US dollars, because so many collectors come from the US and Asia).

He advises investment buyers to wait between five and ten years before considering a sale. Sometimes, however, needs must. The Lady Blunt Stradivarius of 1721 was sold to the Nippon Foundation of Japan in 2008 for over \$10 million. Its previous owner had kept it for 30 years, but the Nippon Foundation chose to resell it for \$15.9 million in 2011 to fund earthquake and tsunami relief.

The advantages of this asset class are also apparent. Volatility is next to zero. Liquidity is not much different from property, assuming you're not a forced seller. You may recall the tale of the Stradivarius violin stolen at Euston station while its owner was looking the other way. Its rarity made it almost impossible to fence and before long it was reunited with its owner, insurance uncalled-upon. Famous instruments are practically theft-proof.

Another advantage is that the investor does not pay the dealer's commission at the point of entry, since this commission is levied (at about 4 per cent) on the sale price achieved by the previous owner. Leonhard sees investing in antique stringed instruments as akin to a private-equity model, whereby an investor-owner buys and holds the asset, realising his return (and paying any charges) upon exit. Leonhard abandoned a scheme to launch a violin investment fund because of the compliance burden and potential conflict of interest involved — but syndicate ownership is another possibility, and groups of investors are sometimes assembled privately to enable up-and-coming soloists to play particularly valuable instruments.

A 2009 investment report by Allianz Musical Insurance and Emotional Assets Management and Research,



\$4m

Average price of a Stradivarius (the one above fetched \$2.7 million in 2007)

3,000

Estimated number of surviving violins made by Stradivari and other masters

a boutique investment house, concluded that fine musical instrument funds were generating an annual return of between 8 per cent and 12 per cent. Leonhard believes that Stradivariuses or similar highly prized items will comfortably double in value (net of costs such as dealer's commission or auction fees) over the next ten years.

Some experts are sceptical, however. David Murdoch, who has made violins, violas and cellos in London for 44 years and also deals in antique instruments, questions whether a sound is truly worth the record figure of more than \$16 million that was paid for the Vieuxtemps Guarneri violin (c.1741) a couple of years ago. 'It's not the players who are driving these prices but the fiddle fanciers,' he says. 'There's a feeling that the prices for certain types of good-quality old instruments have been kept buoyant by the need for hot money to find a home.'

But surely an instrument of such distinction, that has been played by Menuhin, Perlman or Zukerman, would always find a buyer? While today's middle-range musicians are often content to play more affordable modern instruments, fine old instruments have traditionally been a collector's market and despite the influx of 'investment buyers' they are likely to remain so, which reduces the likelihood of speculative froth.

Antique stringed instruments are by no means a straightforward investment play — they are rare objects of emotional power that demand passion and expertise on the part of the investor. But they offer a secure return, and an opportunity to be part of a musical tradition that goes back 400 years.

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