

# *Artist Rare Instrument Fund*

## **What is the Artist Rare Instrument Fund (ARIF)?**

The Artist Rare Instrument Fund invests in top quality rare Italian violins, violas and cellos created by Antonio Stradivarius, Giuseppe Guarnerius del Gesu and other top makers from the 17<sup>th</sup> and 18<sup>th</sup> centuries.

## **What is ARIF's objective?**

We plan to invest fund assets to generate non-correlated long-term returns from our portfolio of rare string instruments.

## **What is exceptional about such instruments as an asset class?**

Rare stringed instruments uniquely combine the qualities of fine works of art and tools of trade. Excess of demand over supply has placed upward pressure on their values consistently since the 17<sup>th</sup> century.

## **What is unique about ARIF?**

Unlike any other fund in the world investing in rare string instruments, ARIF will co-invest in a substantial number of top instruments already owned and played by world-class artists, unlocking a hitherto unavailable source of profit for our investors and providing liquidity for the artists.

## **For whom is ARIF suitable?**

This opportunity will appeal to investors seeking consistent long-term growth and low volatility, who appreciate the uniqueness of these assets and understand that they achieve their greatest return over longer periods of time. The minimum investment is \$1,000,000 and maximum for any individual investor is \$10,000,000.

## **What is the Lock-up period?**

There is a 5 year lock-up. Following the expiration of the lock-up period, an investor may offer for sale to the partnership or other limited partners a minimum of \$1,000,000 of his or her interest to occur on December 31 of any given year. Although appraisals will generally only be obtained once a year, after the lockup period the General Partner may obtain more frequent appraisals (semi-annually) to assist investors with interim valuation of their interests when planning sales of interests.

### **How will ARIF identify the best investment opportunities?**

The General Partner includes as one of its members Christophe Landon, long a world-recognized expert and dealer in and maker of fine instruments, who has connections with dealers, musicians and collectors worldwide and whose business, Christophe Landon Rare Violins, has store locations in the world's major music centers in the USA, Europe and Asia. Mr. Landon is constantly traveling the world attending auctions and meeting with buyers and sellers of rare instruments. He and his staff of highly-trained restorers are also continually performing maintenance and restoration work on top instruments for owners. As such, Mr. Landon is among the first to become aware of fine instruments for sale and of buyers for such instruments, as well as the owners of desirable investments for the Fund, and will be seeking out and advising the Partnership on such opportunities as they arise.

### **Stringed instruments as an asset class are generally illiquid investments - How does the Fund intend to maintain sufficient liquidity?**

As stated above, the history of appreciation of rare stringed instruments suggests the best returns occur over longer periods of time. In order to reconcile investors' eventual need for liquidity and this observation, the General Partner has devised the following strategies to meet these objectives:

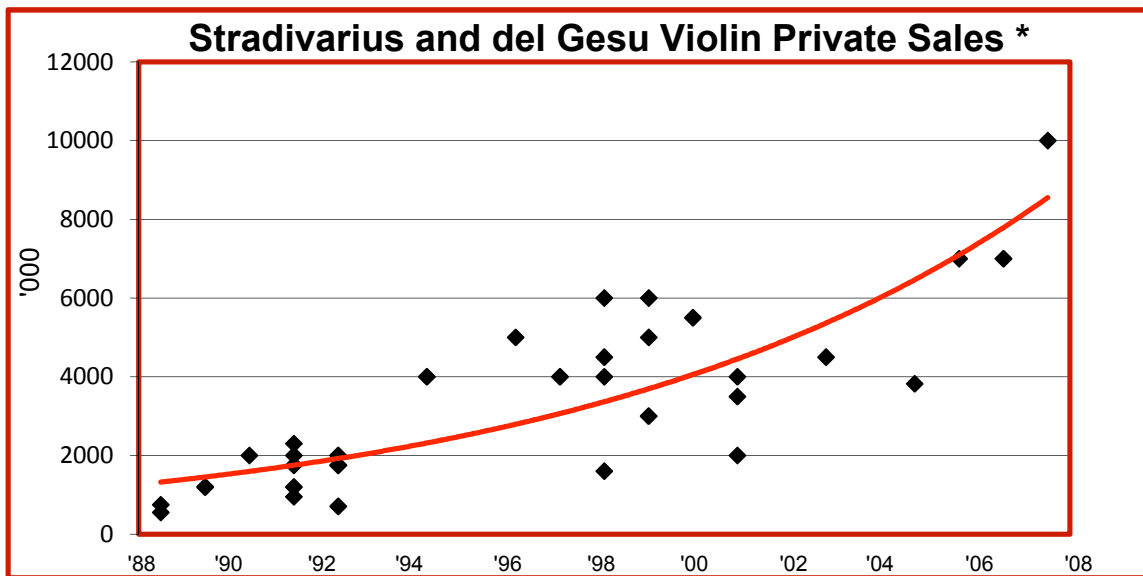
- (a) Six percent of the Fund will be kept in short-term investments and cash at all times;
- (b) We will at all times maintain in the Fund a number of instruments that are not subject to a long-term possession agreement with an artist and which will be available for sale by the Fund within the short term;
- (c) We will apply for a credit line to allow for borrowing against Fund assets – there are financial institutions experienced with this asset class;
- (d) We have limited the maximum percentage of the Fund that may be owned by any one investor to 10% in order to diminish the chances of too many requests for redemption occurring at the same time;
- (e) Whenever there are insufficient liquid funds available to pay management fees, such fees will be accrued and payment postponed until funds are available; and
- (f) The General Partner may distribute dividends periodically in their discretion, generated by the unanticipated sale of an instrument at a substantial gain.

### How is the General Partner qualified to manage the Fund?

The rarefied world of top stringed instruments is best navigated by connoisseurs with decades of experience. Christophe Landon is one of the world's top dealers and experts in rare stringed instruments. ARIF is unlike a typical hedge fund where the fund manager's previous experience in managing financial investments is a prerequisite for investors seeking optimum returns. The assets in ARIF will be instruments selected by the General Partner. Employing Mr. Landon's expertise, the Instrument Selection Committee will identify for the Fund only top instruments they determine have an intrinsic value and show the greatest potential for appreciation.

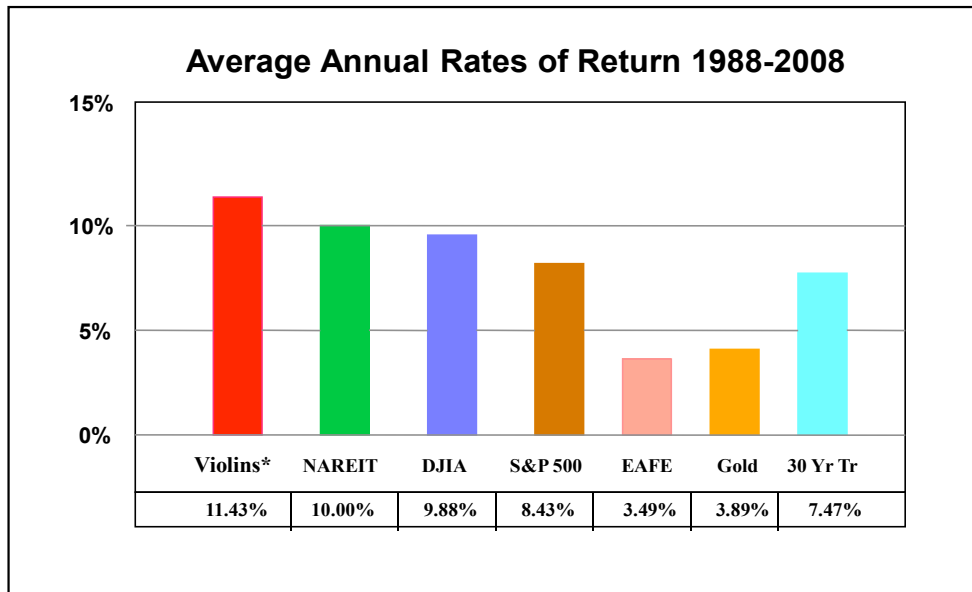
### What is the market for rare stringed instruments?

Very often, auction results make headlines, but the *finest* rare stringed instruments generally do not reach the auction rooms and are sold in private transactions through the private dealer network. Such transactions are usually subject to payment of substantial commissions by the seller; however, the Fund will benefit from the waiver of such commissions due to Mr. Landon's direct access to artists and privately owned instruments, thereby creating an immediate financial benefit to the Fund. Below is a chart showing a selection of private sale prices of representative top instruments over the past twenty years:



\* Between 1980 and 2005, available **auction** price data for Stradivarius violins indicated an average annual increase of 10.4%. Rates of return inclusive of such period and to date for **private** sales of top Stradivarius and del Gesu violins have been even higher.

Average annual returns for top instruments have been amongst the top performing asset classes exclusive of private equity.



\* In 1988/1989, private sales for \$750,000 and \$1,200,000 were recorded. In 2007/2008, private sales for \$7,000,000 and \$10,000,000 were recorded, representing an annualized return of 11.43% for these instruments.

Although there are other funds investing in top stringed instruments, none employ the principal strategy of ARIF, i.e., actively seeking out top artist-owned and played instruments for investment, which creates a new category of investment never previously considered.

**What are the management fees of the Fund?**

Management fees are 1.5% per annum with a 25% incentive fee payable on realized capital gains.

### **What kinds of investments will be made?**

There will be two principal categories of investment: a) co-ownership with performing artists who already own their instrument and agree to sell a portion (at least 50%) of their equity to the Fund; and b) outright acquisition of other top instruments identified as excellent candidates for appreciation. Other categories of potential investment include:

Co-Investment with high net worth investors seeking co-investors to purchase instruments for purposes of making such Instrument available to up-and-coming artists; Purchase of investments by the Fund on behalf of patrons of symphony orchestras upon condition that the Partnership acquire an interest in investment-quality violins, violas and cellos owned by or loaned to the symphony orchestra and used by the orchestra principals;

Where younger artists who own rare Instruments have borrowed funds to acquire them and the instrument has the potential for significant appreciation, the Partnership may pay off the outstanding loans and acquire an equity interest while the artist continues to benefit from the use of the Instrument; The Partnership may provide a mechanism for the transfer of an Instrument from an older artist to a younger protégé, or to an artist designated by the estate of the original owner in homage to the reputation of the late artist; The General Partner may become a co-purchaser of investment-quality Instruments with artists where such artists cannot raise the entire purchase price themselves.

### **How will the value of my investment be determined?**

The Partnership's assets will be valued at least annually (as of each December 31) by independent, internationally recognized independent appraisal firms chosen by the General Partner.

### **Where can I learn more about the Fund and about investing in rare stringed instruments?**

The following web-link will take you to an MP3 recording of a radio show where two of the Fund's General Partners, Christophe Landon and Tony Finley, are being interviewed about the Fund by Mark Laskow, CEO of Greycourt & Co., a leading provider of financial advisory services to wealthy families and select endowments:

[http://www.greycourt.com/ota/mp3/PBR\\_03-30-09\\_Hour\\_2.mp3](http://www.greycourt.com/ota/mp3/PBR_03-30-09_Hour_2.mp3)

or contact the Fund General Partner at:

Artist Rare Instrument Fund, L.P. c/o Christophe Landon Rare Violins, Inc., 1995 Broadway 6<sup>th</sup> Fl., New York, NY 10023. Te: 646-202-1030 or [info@arifpartners.com](mailto:info@arifpartners.com).

This is not an offering. Any offering will be made to qualified investors by means of a final offering memorandum. Investment in the Fund involves significant risk factors and is suitable only for persons who have limited need for liquidity in their investment, who can bear the economic risk of the loss of their investment and who meet the conditions set forth in the final offering memorandum. There can be no assurance that the Fund will achieve its investment objective.