

**Internet Appendix A243: Art Investment
Illustrative Reverse Engineered Pitch Template Example**

Pitcher's Name	Marie To	FoR category	Art Investment	Date Completed	09/02/2018
(A) Full Reference	Park, H., Ju, L., Liang, T. and Tu, Z. (2017) Horizon analysis of art investments: Evidence from the Chinese market. <i>Pacific-Basin Finance Journal</i> , 41: 17-25.				
(B) Basic Research Question	How do Chinese art investments with different investment horizons differ in terms of risk-return characteristics, investment objectives, and style?				
(C) Key paper(s)	Mei, J. and Moses, M. (2002) Art as an investment and the underperformance of masterpieces. <i>American Economic Review</i> , 92(5): 1656-1668 Wang, Y. (2011) Chinese Art Market. First edition, <i>Culture and Art Press</i> , Beijing. Goetzmann, W. N. and Spiegel, M. (1995) Private value components, and the winners curse in an art index. <i>European Economic Review</i> , 39(3-4), 549-555				
(D) Motivation/Puzzle	Art is usually a long-term investment; however, the recent increase in art flipping defies this. This invites the question: why do investors have different investment horizons when investing in art? The current art literature documents mixed results for risk-return attributes of art investments compared to traditional assets, as well as the major factors of art returns. Further separation and analysis of art investments by their horizon may be able to reconcile these mixed results, and indeed may differentiate art investments into different asset categories by their investment horizon.				
THREE					
(E) Idea?	This paper uses Chinese calligraphy and paintings auctions data and regression analysis to analyse both risk-return attributes of art investments with different horizons, as well as return factors for different horizons. Dependent variable: log return, independent variables: art return factors, investment horizon.				
(F) Data?	<ul style="list-style-type: none"> (1) Chinese calligraphy and paintings auctions sales records from the top 8 auction houses in mainland China, over the period 1994 – 2012 (2) 4575 repeated sales records (3) Not a panel dataset (4) Data manually collected from Artron Art Net (China's biggest professional art information release carrier) 				
(G) Tools?	Ordinary least squares, weighted least squares, and integrated regressions. Art factors are proxied as follows: <ul style="list-style-type: none"> • The masterpiece effect is proxied by the natural log of the purchase price • The death effect is indirectly accounted for via a dummy variable indicating the artwork's time of creation • The law-of-one-price effect is measured by dummy variable indicating the auction house tier and location of purchase/sale. 				
TWO					
(H) What's New?	In the existing art literature, the investment horizon has not typically been studied. This paper focusses explicitly on different investment horizons, and the differences in investment objectives and styles between horizons. It also adds new evidence from the perspective of the Chinese art market.				

	
(I) So What?	Academically, there is a debate on whether art is a good investment when compared to traditional financial assets (art investment is generally found to provide a diversification function to these traditional assets). This study provides further data regarding the risk-return attributes of art investments differentiated by investment horizon, as well as a new understanding into investment horizons as a factor underpinning art returns.
ONE	
(J) Contribution?	This paper shows that investment horizon is an important factor in analysing art investment behaviour, and that differences in horizon have the potential to explain some of the mixed evidence in the current art literature. It paves the way for future research into specific and narrow art categories, and into the art flipping phenomenon.
(K) 3 Key Findings	<ol style="list-style-type: none"> 1. Both art returns and return volatilities increase with the length of the investment horizon, although short-horizon returns behave independently from medium- and long-horizon returns. 2. Short-horizon (1 year or less) art investors tend to focus on arbitrage opportunities (i.e. buying at one auction house and selling at another, or buying in one region and selling in another). 3. Long-horizon (more than 3 years) art investors focus on value, favour masterpieces and ancient artworks, and do not engage in venue arbitrage.