The dividend you can hang on a wall
Art, passion and the illusion of easy returns

Dr. Nico Marais

The art we have collected over the years have enriched our lives immeasurably. Not all of them, however, have proved to be good investments. That tension lies at the heart of collecting art. As investors, we are - or should be - guided by risk, return and liquidity. These considerations matter even more when we venture beyond conventional assets. As interest in alternative investments grows, art is frequently presented as a tangible store of value, a portfolio diversifier and even a hedge against uncertain markets.

Early in my career, we explored launching an investment fund focused on luxury goods, including fine art. It never materialised, and in retrospect that was probably for the best. Turning highly subjective and illiquid assets into a scalable investment product proved far more difficult than anticipated. The economics are challenging. Art pays no dividend. It incurs insurance, storage, transport and sometimes restoration costs. Auction commissions can absorb 25–35% of value on a round-trip basis and may exceed 40% for lower-priced works. Unlike listed shares, an artwork has no natural liquidity window and no assured buyer when the owner wishes to sell.

The comparison with other alternative assets is revealing. Private-equity investments may be locked up for years, but they usually have a structured investment process, periodic valuations and an intended exit path. Art offers none of these. Its liquidity is not merely poor; it is unpredictable.

Inspired by Sean O'Toole's thoughtful recent article in VISI magazine, I wanted to share my own experience and views. O'Toole rightly distinguishes between collecting driven by passion and buying art with the expectation of a financial return. Art can undoubtedly be both. But for most collectors, it is far more reliably the former, with any financial upside best treated as a welcome bonus.

Although now somewhat dated, South African research drawing on the Citadel Art Price Index provides a useful reality check. Historically, local art prices have tended to benefit when rising equity markets increase wealth. The art market has not consistently moved independently of shares, property or bonds. Its diversification benefits may therefore be more limited than popular narratives suggest. This does not mean that the South African art market lacks depth or opportunity. It is increasingly sophisticated, supported by reputable galleries, specialist auction houses, serious collectors and growing international interest in selected artists. But a vibrant market does not automatically make art an efficient asset class.

A recent snapshot of the international auction market is equally sobering. Research reported by Barron's, a US financial publication, found that artworks resold through major global auction houses generated an average annualised return of only 1.7% during the first quarter of 2026. Almost half of repeat sales resulted in losses, while a meaningful proportion of works offered at auction failed to sell. This is often overlooked. Auction headlines naturally focus on the exceptional: the rediscovered masterpiece, the emerging artist whose prices suddenly soar, or the collector who bought early and sold brilliantly. These stories are real, but they are not necessarily representative.

Art cannot be painted with one broad brush. The name of the artist matters, but it is never enough. The strongest works by established artists with sustained institutional recognition and deep secondary markets have generally shown greater resilience over time. Finite supply, museum representation, scholarly attention and cultural significance can support value.

Yet buying an artwork is not the same as buying a share certificate. A minor or atypical work by an important artist may behave very differently from one of that artist's finest and most representative works. Period, subject matter, medium, rarity, scale, condition and provenance all matter. So do exhibition history, publication history and authenticity. The quality of the work itself matters most of all.

The same caution applies to emerging artists. Buying early in the hope of identifying the next major talent is not irrational, but it resembles venture-capital investing more than conventional portfolio management. The range of outcomes is wide, the holding period uncertain and reliable price discovery difficult. Emerging artists are not without fundamentals. The quality and consistency of the work, gallery reputation, institutional acquisitions, museum exhibitions, critical writing and the development of a serious collector base all provide useful signals. Even then, foresight must meet fortune.

For carefully selected, high-quality works acquired at sensible prices and held over long periods, art may contribute to intergenerational wealth preservation. That said, the strongest argument for owning art is ultimately not financial. Buy something that genuinely speaks to you and enriches your daily surroundings, and you have already earned an important return. Economists sometimes describe this as a "utility dividend." Collectors understand it more instinctively as the pleasure of living with a work that continues to reveal itself over time. The most dependable return remains the dividend you can hang on a wall: the daily pleasure of living with beauty and meaning.

About the Author

Dr. Nico Marais is the Chair and Co-Founder of Carmel Wealth. He has been the President and CEO of Wells Fargo Asset Management; the Global Head of Multi-Asset Investments and Portfolio Solutions at Schroders; the Global Head of Portfolio Management (Active Allocation), Multi-Asset and Client Solutions (BMACS) at BlackRock; and the Global Head of Investment Strategy, Client Solutions Group at Barclays Global Investors (BGI).

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