

2024 End of Year Update and 2025 Outlook

As we move into 2025, we want to take a moment to reflect on the state of the art market and share insights as to how we're thinking about the coming year.



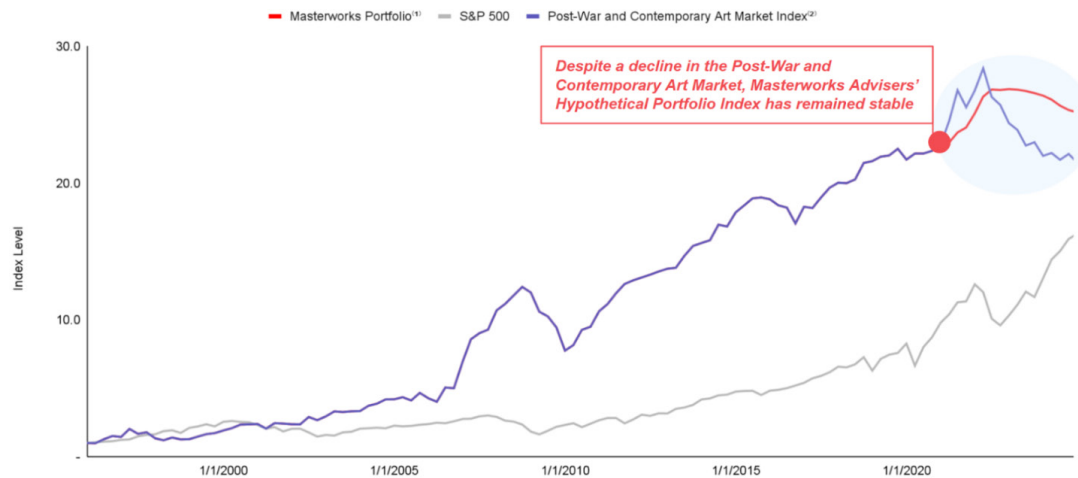
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Our Outperformance Despite Headwinds

While it has been a tough 3+ years for the art market, our artist selection and acquisition process has resulted in strong hypothetical Masterworks Portfolio¹ (“Masterworks Portfolio”) performance during the current art market downturn.

Specifically, since the end of 2021 through 2024, we have managed to outperform the market by ~18%.

Hypothetical Portfolio¹ vs. Post-War and Contemporary Art vs. S&P 500²



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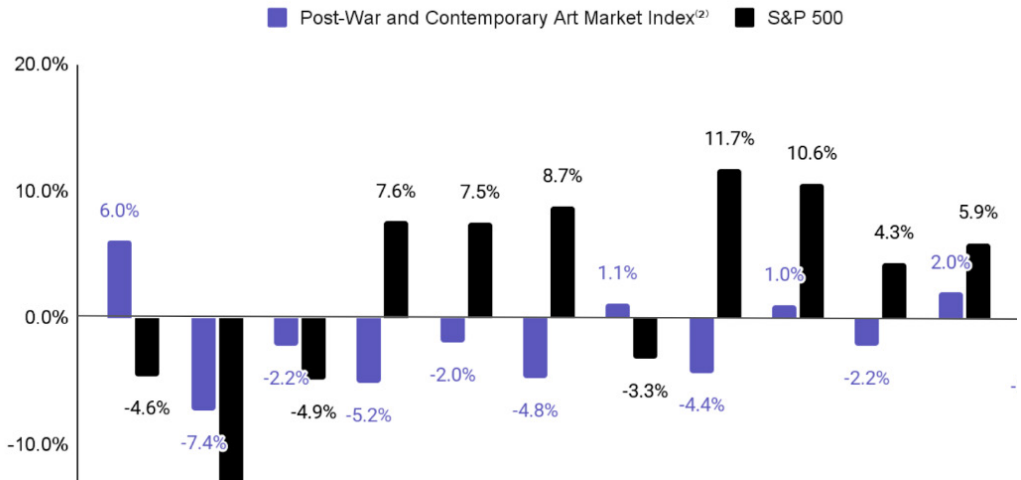
Art Remains Uncorrelated, Which is Good For Your Portfolio

As you may recall, one of the most important characteristics about contemporary performance is its historical lack of correlation to other popular asset classes². For example, as the S&P 500 appreciates, art may not – and vice versa.

Over the past 5 years, the S&P 500 has had remarkable performance of 14.5% on an annualized basis. But just recently, Goldman Sachs have projected S&P 500 returns of just 3% (or 1% after inflation) annually over the next decade³.

If this is even directionally true, continuing to allocate a portion of your portfolio to art may become important to generate potential returns in 2025 and beyond.

S&P 500 vs. Post-War and Contemporary Art - Quarterly Performance Since 2022²



3 We Believe We've Reached The Bottom

This year marked a potentially pivotal moment for the Post-War and Contemporary art market. Despite continued headwinds early in the year, including macroeconomic uncertainties and residual impacts from a challenging global environment, optimism first occurred at one of the leading art fairs, Art Basel, in Paris. We had our team on the ground and there was a noticeable shift in sentiment amongst buyers. Subsequently, the fall auction season solidified this feeling by achieving price stabilization after a 3+ year decline.

Post-War and Contemporary Art²



The flattening in 2024, and specifically stabilization in the back half of the year, reflects a potential shift from the decline the market experienced in 2022 and 2023, when it was down 9% and 10% respectively.

In addition to a shifting macro economic environment which is more favorable to the art market, we are also seeing some restored confidence within the art market itself. In mid-2024 a joint Art Basel & UBS survey reported that, while currently in a correction “the vast majority (91%) of wealthy collectors were “optimistic” about the global art market’s performance over the next six months, up from 77% at the end of 2023”. Notably, this is a larger share than were optimistic about the stock market, at 88%. Only 3% of high-net-worth collectors are pessimistic about the art market’s short-term future⁴.

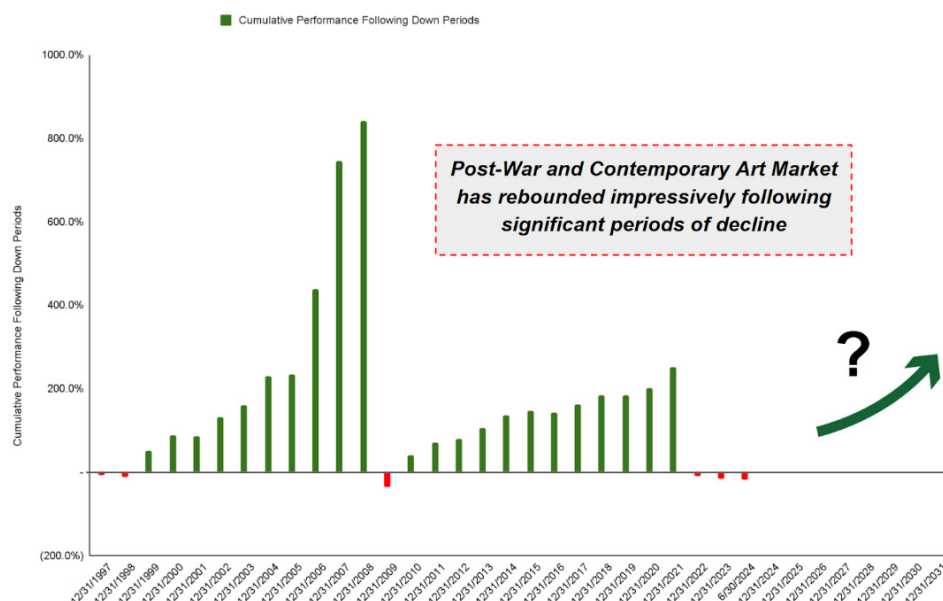
4 Now Could Be The Best Buying Opportunity Since 2008-2009 (Global Financial Crisis)

These recent developments align with historical patterns suggesting that periods of market softness often precede extended growth phases, meaning this could be a prime opportunity to “buy the dip” before a potential rebound. For example, the historical decline in art prices from 1997–1998, under similar economic conditions to the past two years, gave way to a decade-long bull market.

While past results don’t guarantee future outcomes, prior declines in art prices have historically been followed by an average bull run of 5 years, with an annual median index price increase of 14%. So even though the future remains uncertain, we believe the current environment presents an exceptional opportunity for future long-term value to be recognized.

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Post-War and Contemporary Art and Historical Downturns



5 As the Market Returns, We Anticipate Selling

A market turnaround, coupled with Masterworks' meticulous artist selection process, positions us to benefit from renewed confidence and demand in the market via the prospective sale of works.

With the downturn, we have seen bid ask spreads in the market very far apart, leading to buyers largely becoming sidelined and sellers reluctant to part from works at lower valuations. But as prices look to continue rebounding, we have conviction buyer confidence will return and demand will increase. This could translate to improved artwork valuations and generally a higher number of opportunities for us to sell artworks at an attractive price and return capital to investors.

In Closing...

We are optimistic that the stabilization of prices over the last 6 months will precede an upward trend in the market. We are proud of the progress made in 2024 and grateful for your trust in Masterworks. If you have questions about this letter or would like to discuss your investment in greater detail, we encourage you to schedule a call with one of our advisers.

Here's to continued success in 2025 and beyond.

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1. Hypothetical Masterworks Advisers Portfolio reflects all Masterworks Securities (Net of Fees). The Hypothetical Masterworks Advisers Portfolio ("Portfolio") is a hypothetical portfolio illustrating historical performance (sometimes referred to as "backtested" performance) intended to provide some perspective on how Masterworks, LLC ("Masterworks") as a manager of art, would have performed over time if all Masterworks Securities offered since inception were managed by Masterworks Advisers, LLC ("Masterworks Advisers") in a singular investment advisory portfolio or account. Hypothetical historical performance, as opposed to actual performance, does not reflect the investment performance or the actual accounts of any clients. The performance is based on the application of a deal-weighted, all inclusive, Hypothetical Masterworks Advisers Portfolio to a historical time period when the Portfolio did not exist. The calculation methodology and time period were internally determined with the full benefit of hindsight. It is likely that similar results could not be achieved in the future and similar results were not realized by any individual account or client of the Adviser. The Portfolio is also being compared to an internally derived index which was also composed with the full benefit of hindsight and subject to conflicts of interest due to the internal determination of data selections and calculation methodology. Historic Portfolio returns incorporate the standard Masterworks fees, costs, and non-capitalized expenses, but do not include the impacts of trading on the secondary market, liquidity considerations, or other costs, fees or taxes a client may experience when investing in Masterworks Securities, which would lower performance results. Historic average annual Portfolio returns incorporate the impact of compounding over time. The Portfolio and the Contemporary Art Index are unmanaged and not available for direct investment. Masterworks Advisers has/does provide advisory services to individual clients and a pooled investment vehicle. The performance of those individual client accounts and/or the pooled vehicle may be materially different from the performance of the Portfolio presented here. Based on Capitalization Weighted Indices Methodology outlined in S&P Dow Jones Indices: Index Mathematics Methodology. Calculated using internally derived NAV of Masterwork's Securities ("Masterworks Securities"). You can review important information about our internal appraisal methodology and its use in data and performance calculations here. Masterworks Securities enter the Hypothetical Masterworks Advisers Portfolio on their final close date, and are included in the Portfolio until their exit date. Performance data includes both realized, or "exited" works, as well as unrealized changes to NAV for included Masterworks Securities. Vast majority of the hypothetical return data represents unrealized gains and losses which are based on internal appraisals. Appraisals, by their nature, are backward looking, and therefore may not represent current market conditions. The graph shows the Masterworks Performance Index beginning in December 2020, which was the point at which the company began regularly appraising works offered to investors. Hypothetical performance is complex and Representatives of Masterworks Advisers are available to discuss the risk, limitations, and considerations an investor should understand before making an investment decision.

To set up a time to speak to a Representative who can answer questions about our presentation of hypothetical and projected performance, please reach out to us by clicking [this link](#) to set up a call. Investment in a Masterworks Offering involves risk and there is no guarantee that you will achieve the results represented by the Portfolio. Individual results may vary significantly from those illustrated. Hypothetical and projected performance should not be used as the sole basis for an investment decision. Masterworks Advisers has also created a [Hypothetical Performance User Guide](#) to provide more information on the data sources, assumptions, methodology used to prepare the presented Portfolio performance comparison, and details to help you understand how to evaluate hypothetical and projected performance.

2. Art Appreciation and Correlation data based on quarterly Post-War and Contemporary Index as of 12/31/2024; data as of 12/31/2024

- Repeat-Sale Pair Index of post-war and contemporary art (as defined by the applicable auction house) using Standard & Poor's CoreLogic Case-Shiller Home Price Indices Methodology.
- The Standard & Poor's CoreLogic Case-Shiller Home Price Indices Methodology results in a value-weighted index; auction results realized in a currency other than U.S. dollars have been converted using exchange rates provided by FRED (St. Louis Federal Reserve) at the time of the most recent sale; this adjustment is made to account for long-term exchange rate trends that would otherwise distort artworks' appreciation.
- Quarterly index is internally calculated on a rolling basis, including repeat sale pairs from previous 5 quarters in each quarter. Rolling quarters accommodates data sparsity resulting from the seasonal nature of the art market.
- Correlation data reflects an internal Masterworks analysis and relies on PWC index, Yahoo Finance, shown through 12/31/2024, Index data updated as of 12/31/2024.

3. Data and commentary is from Goldman Sachs Global Strategy Paper "[Updating our long-term return forecast for US equities to incorporate the current high level of market concentration](#)" published in October 2024. The report modeled annualized total returns on a monthly basis using five variables: Valuation (S&P 500 cyclically adjusted P/E multiple); Economic Fundamentals (Economic contraction frequency); Interest Rates (10-year US Treasury yield); Market Concentration (Ratio of the market cap of the largest-cap stock vs. the 75th percentile stock); and profitability; (LTM S&P 500 return on equity). The use of this information in this presentation is not an endorsement by or affiliation with Goldman Sachs or Goldman Sachs Global Investment Research. Masterworks did not contribute to the creation of the linked content. The report is not intended to be regarded as investment advice, an offer, or solicitation of an offer to enter into any Masterworks offering.

4. Data and commentary is from Art Basel & UBS "[Survey of Global Collecting 2024](#)" published in 2024. The study is primarily based on survey data of over 3,660 high-net-worth individuals from 14 key regions gathered and analyzed by Arts Economics ([artseconomics.com](#)) in collaboration with UBS. The use of this information in this presentation is not an endorsement by or affiliation with Art Basel or UBS. Masterworks did not contribute to the creation of the linked content. The report is not intended to be regarded as investment advice, an offer, or solicitation of an offer to enter into any Masterworks offering.

Art sales price data is comparative only. Each painting is unique and historical data is not a direct proxy for any specific painting or investment. Data represents whole art not an investment into our offerings which includes fees and expenses. Past sales are not indicative of future results.

Masterworks internally appraises artworks that are held by entities administered by Masterworks Administrative Services, LLC on an ongoing basis, and obtains an independent review of appraisals by a third-party appraiser on a quarterly basis. The objective of an appraisal is to determine the Fair Market Value ("FMV") of the subject artwork, which is equal to the price property would sell for on the open market between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts, consistent with the standards set forth in IRS Publication 561. The FMVs determined by Masterworks' appraisals are only valid as of the effective date of such appraisals and do not reflect any sales of objects conducted after the effective date. The art market typically does not move in a linear fashion and a single unexpected auction result can have a significant impact on values. FMV includes expected buyer's premium and estimated transaction commissions. FMV is measured principally by the Sales Comparison Approach, a relative value comparison basis on sales transactions involving similar objects. Appraisals are prepared in accordance with the 2024-2025 Uniform Standards of Professional Appraisal Practice developed by the Appraisal Standards Board of the Appraisal Foundation, although it is noted that there are potential conflicts of interest given that some or all individual members of the appraisal committee are employees of Masterworks and Masterworks retains an ownership interest in the subject artworks as well as ownership of the Masterworks Platform.

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