



Understanding Art as an Investment

November 2020

The Masterworks Platform

We deliver access to the art market for the investor community

Pioneer in Securitized Art Investment

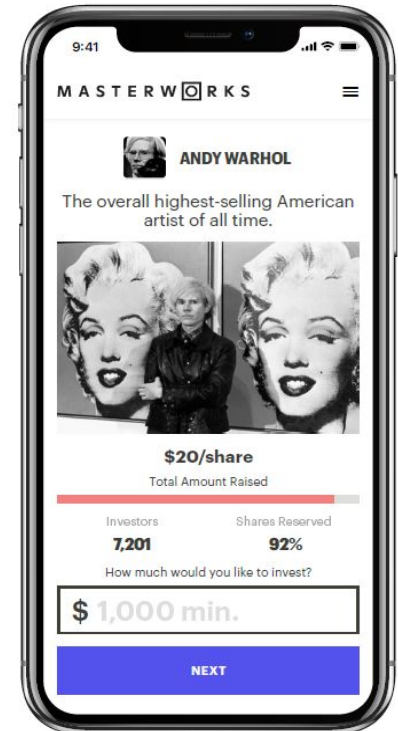
We are the pioneer in SEC-qualified art investment offerings

Self-Directed Investor Platform

Through www.masterworks.io, we have cultivated a broad investor community of 95,000+ members seeking returns with low correlation with other financial assets

Leading Research Team

We leverage our proprietary data-driven research to inform portfolio decisions and build investor confidence in art as an asset class



FEATURED IN

The New York Times

NEW YORK

CNN

Forbes

CNBC

Our Leadership

Based in New York and led by founder, Scott Lynn, the Masterworks team is comprised of 20 professionals with deep experience in technology, the art market and financial services

Masterworks Leadership



Scott Lynn, Founder and CEO

Internationally recognized art collector and technology entrepreneur
Payability, Adparlor, Giant Media, Reachmobi, Amply, Sellozo



Nigel Glenday, Chief Financial Officer

15+ years experience in art finance and investment banking
Athena Art Finance, Morgan Stanley, UBS, StormHarbour



Masha Golovina, Director of Art Purchasing

10+ years experience in art economics, research and modeling
Christie's, Citi



Josh Goldstein, General Counsel

20+ years experience in corporate and securities law
Skadden, Intrust Resorts (NYSE listed)

Advisors

Eli Broverman, Co-Founder, Betterment
Pioneer robo-advisor platform

Betterment

Dan Miller, Co-Founder, Fundrise
Leading Reg A online real estate platform

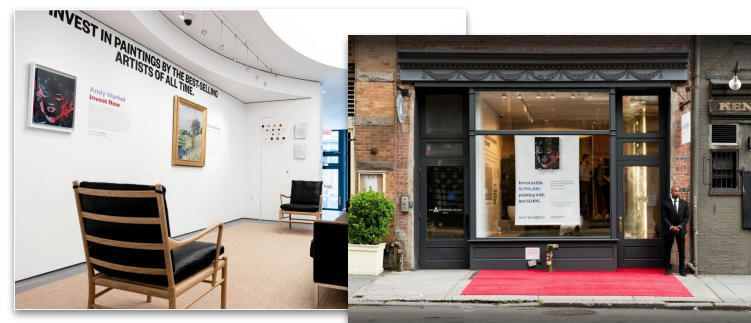


**Debevoise
& Plimpton**



LOUP VENTURES

Headquarters and Gallery in SoHo, NYC

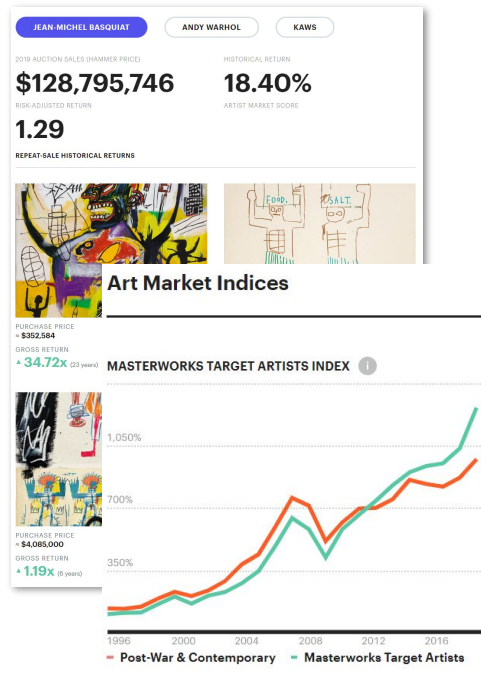


497 Broome Street (SE corner of West Broadway)

Proprietary Art Investment Research

Our investment process leverages our leading in-house art market research team, which develops proprietary datasets, indices, analytics and research collaboration

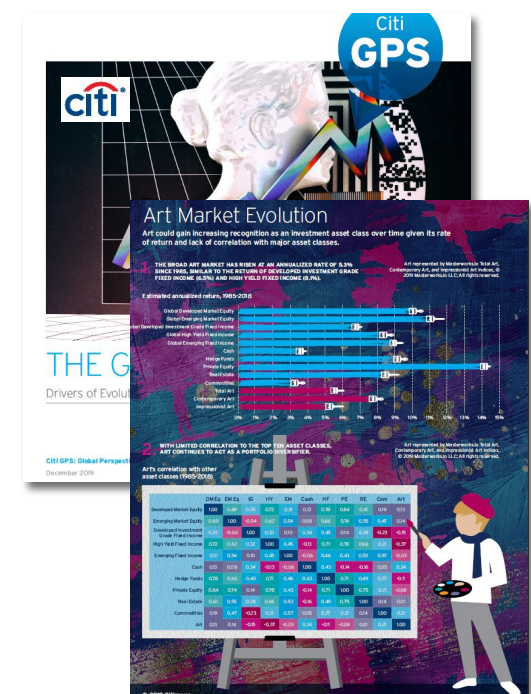
Art Market Indices and Returns



Thought Leadership

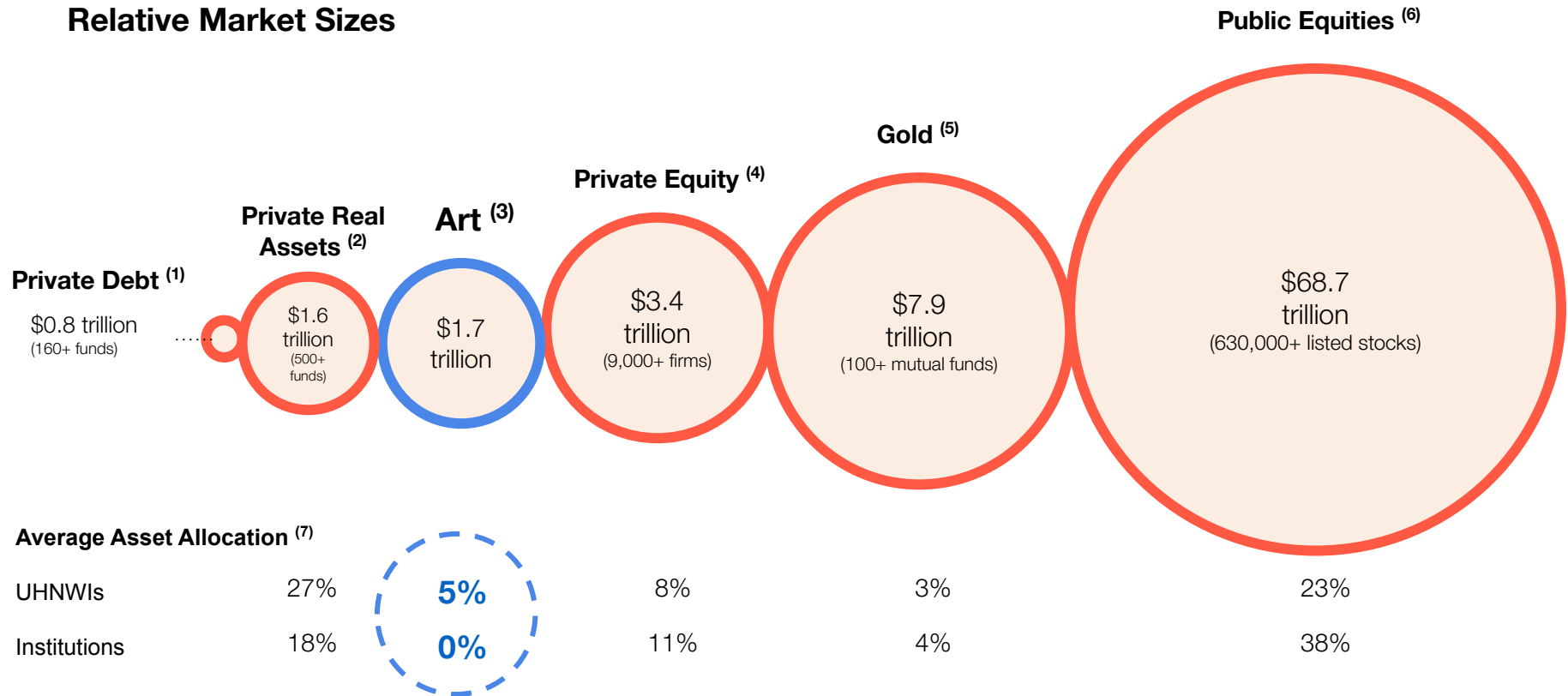


Research Collaboration



Market Size and Allocation Opportunity

The art market is a vast, overlooked asset class for the broader investment community



Sources: Preqin, McKinsey & Company: *Private markets come of age*; McKinsey Global Private Markets Review 2019. Deloitte, ArtTactic: *Deloitte Art and Finance Report 2019*. . [World Bank Database](#).

Notes:

1. Private market assets under management investing in debt
2. Private market assets under management investing in real estate, natural resources, and infrastructure
3. Estimated value of artwork held by individuals. Estimated based on surveys of wealth allocation to art and estimates of total wealth held by individuals
4. Private market assets under management investing in private equity
5. Includes gold held in jewellery, official sector, bars/coins, EFTs (and similar) and other fabrication (and unaccounted)
6. Market capitalization of listed companies globally (US dollars)
7. Knight Frank World Wealth Report, 2020. Fidelity Research, *Institutional Asset Allocation*, 2019

How We Measure Art Market Performance

Our in-house research team provides proprietary insights into art market performance

1

Data Collection

Collected data for 300,000+ auction transactions comprising 3 million+ data points

3 million

Data points for auction sales starting as early as 1960

2

Focus on Repeat Sales

Matched sales of artwork that has sold twice or more at public auction

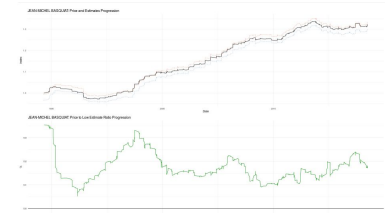
60,000

Repeat auction sale pairs starting as early as 1960

3

Index Construction

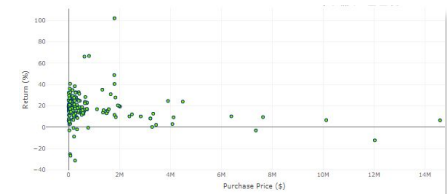
Built indices based on established approaches used for real estate. In 2020, constructed a new value-weighted index



4

Proprietary Metrics

Developed in-house analytics to assess artist and artwork level momentum



What Drives Art Market Performance?

Attractive supply and demand dynamics paired with global marketability

1

Ultra-Wealthy Drive Demand

Secular growth in purchasing power among the global ultra-high-net-worth community

6.1% CAGR

Number of Dollar Millionaires
from 2019-2024
(Credit Suisse)

2

Supply Scarcity

Decreasing available supply as artwork is acquired by museums and public collections via UHNWI giving and direct purchases

\$152 billion

Annual UHNWI Giving
(ArtTactic, TEFAF)

3

A Global Asset

Tangible, mobile store of value that can be transacted in any locale and currency

64% Share

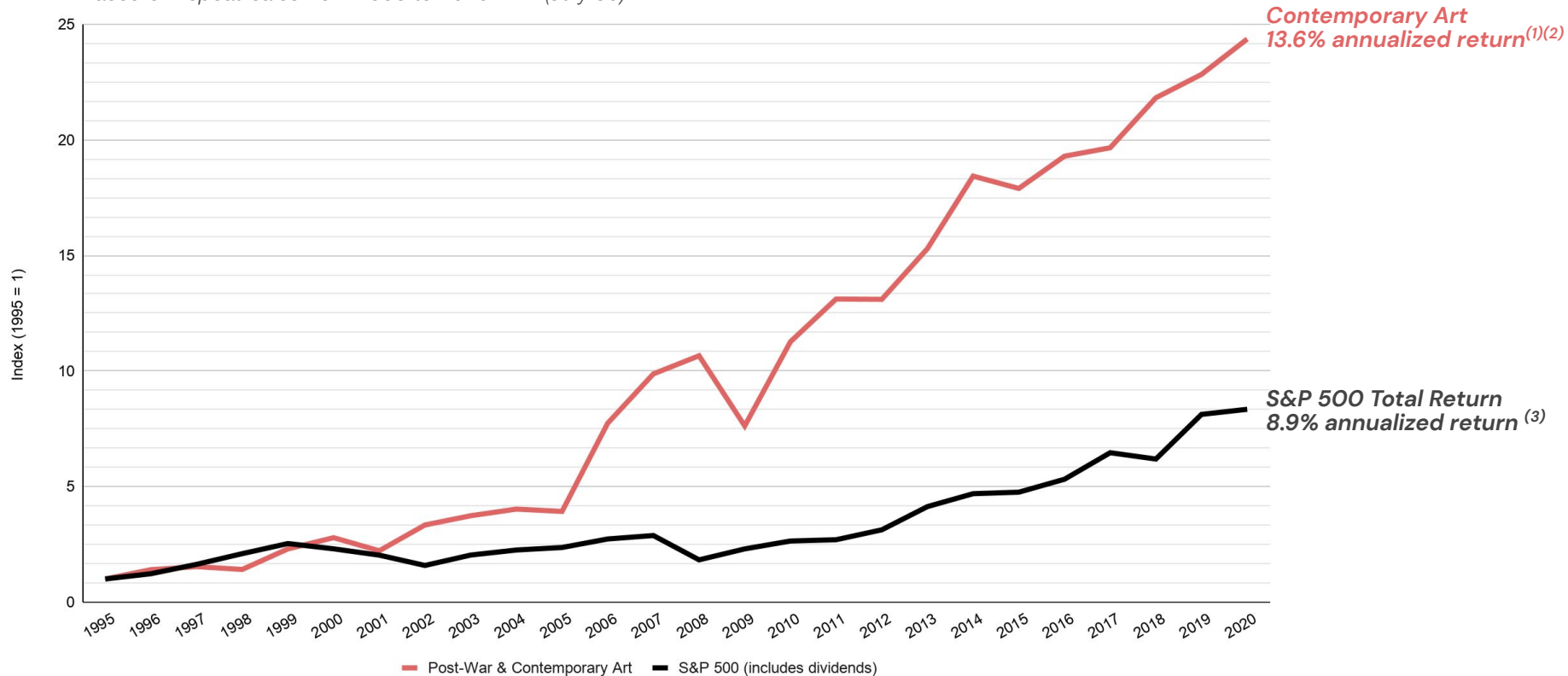
Collectible Wealth Held Outside
of North America
(Deloitte)

Long-Term Historical Performance

Over 25 years, Contemporary Art has generated a nearly three-fold outperformance over the S&P 500

Contemporary Art Market (Value-Weighted) Performance Indices Since 1995

Based on repeat-sales from 1995 to 2020 YTD (July 30)



Source: Internal Masterworks analysis. Yahoo Finance. Index shown through July 2020. Index data updated as of July 30th, 2020.

Notes: There are significant differences between the asset classes presented. For additional information, see Important Disclosures.

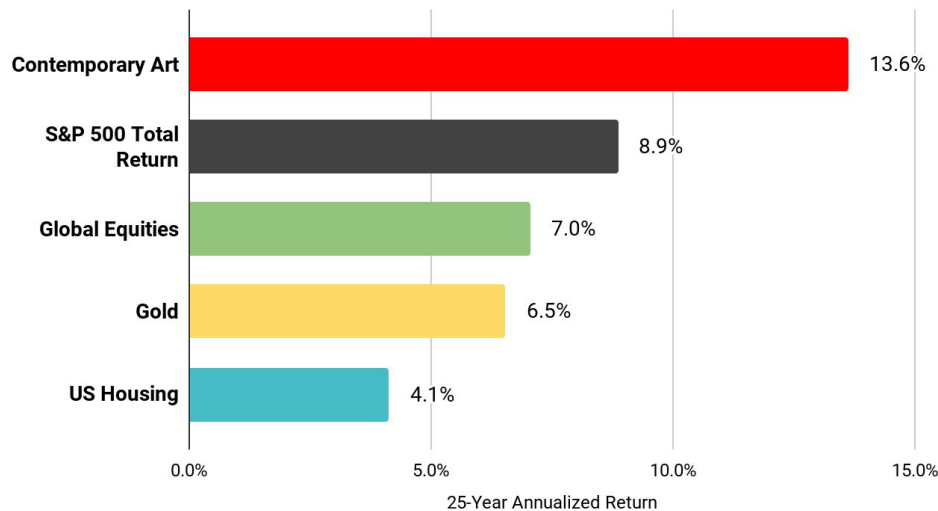
1. Repeat-Sale Pair Index of Post-War and Contemporary Art (as defined by the applicable auction house) using Standard & Poor's CoreLogic Case-Shiller Home Price Indices Methodology.
2. The Standard & Poor's CoreLogic Case-Shiller Home Price Indices Methodology results in a value-weighted index. Auction 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' performance.
3. S&P 500 Total Return Index as of July 30th, 2020.

Outperformance and Low Correlation

Attractive long-term performance with low correlation relative to traditional asset classes

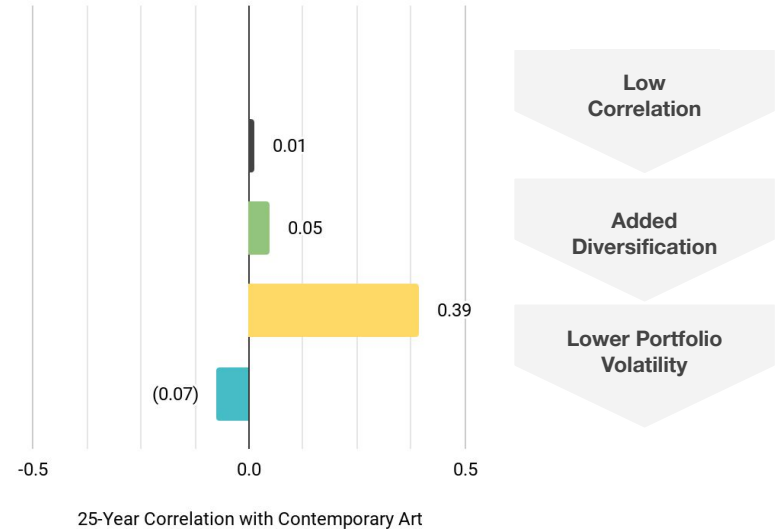
25-Year Annualized Performance

Contemporary Art Market ⁽¹⁾ vs. Selected Asset Classes: 1995-2020 YTD⁽²⁾



25-Year Correlation Factor

Contemporary Art Market ⁽¹⁾ vs. Selected Asset Classes: 1995-2020 YTD⁽²⁾



Sources: Internal Masterworks analysis. FRED (St. Louis Federal Reserve). MSCI Database. Yahoo Finance.

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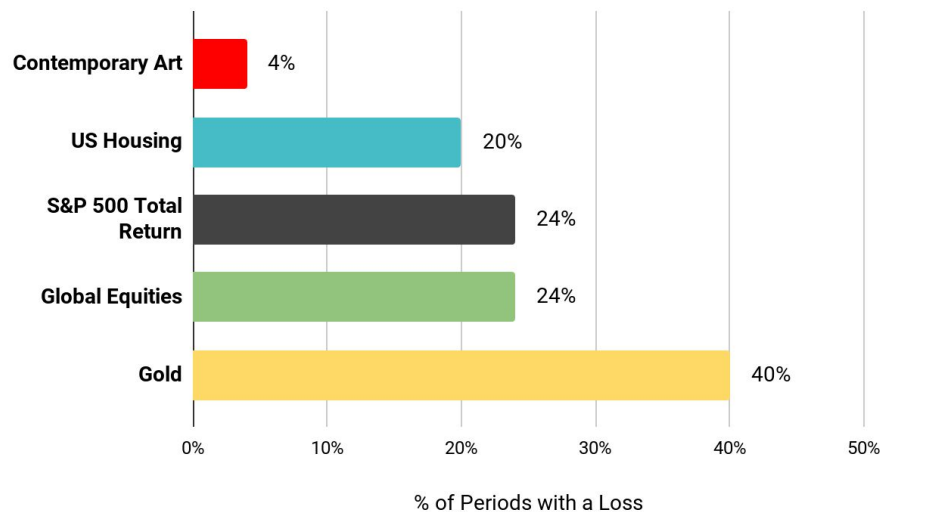
1. Repeat-Sale Pair Index of Post-War and Contemporary Art (as defined by the applicable auction house) using Standard & Poor's CoreLogic Case-Shiller Home Price Indices Methodology.
2. Index performance measured through July 2020. Art market data updated as of July 30, 2020.

Contemporary Art's Low Loss Frequency

Over the past 25 years, Contemporary Art has experienced losses only 4% of the time measured over 3-year investment horizons

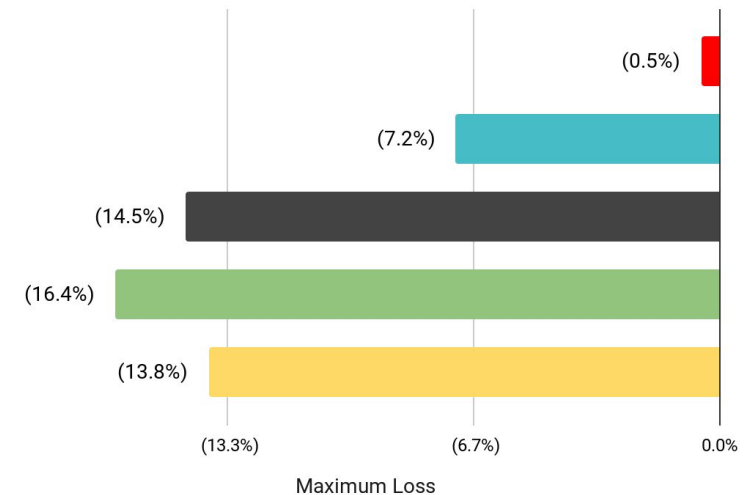
Loss Frequency Observed Over 3-Year Investment Horizons

Contemporary Art Market ⁽¹⁾ vs. Selected Asset Classes: 1995-2020 YTD ⁽²⁾



Maximum Annualized Loss Observed Over 3-Year Investment Horizons

Contemporary Art Market ⁽¹⁾ vs. Selected Asset Classes: 1995-2020 YTD ⁽²⁾



Sources: Internal Masterworks analysis. FRED (St. Louis Federal Reserve). MSCI Database. Yahoo Finance.

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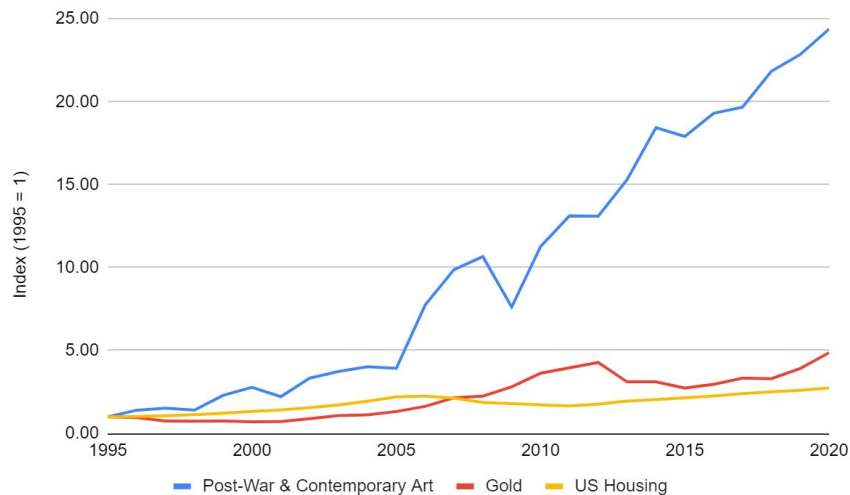
1. Repeat-Sale Pair Index of Post-War and Contemporary Art (as defined by the applicable auction house) using Standard & Poor's CoreLogic Case-Shiller Home Price Indices Methodology.
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Art as the Alternative *Real* Asset

Contemporary Art has benefited from low real interest rate environments, yet outperforms other tangible assets, including gold and US real estate over multi-year investment horizons, and is well positioned for a “lower for longer” rate environment

Contemporary Art vs. Selected Real Assets

Contemporary Art Market ⁽¹⁾ vs. Gold and US Housing: 1995-2020 YTD ⁽²⁾



Contemporary Art vs. Real Interest Rates

Contemporary Art Market ⁽¹⁾ vs. Treasury Inflation-Indexed Long-Term Average Yield: 2000-2020 YTD ⁽²⁾



Sources: Internal Masterworks analysis. FRED (St. Louis Federal Reserve).

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Resilient Art Market Performance in 2020

2020 has driven profound shifts in market activity, yet new entrants and sales formats have sustained activity and bolstered prices

1

Delayed Auction Calendar

Delayed 1H auctions lowered overall sales, but resumed with strong summer/fall sales

\$2.5 billion

Total Auction Sales
in 1H 2020
(ArtTactic)

2

Online Sales Boom

Gap left by art fairs and retail galleries filled by online sales and sustained private sales activity

4.7x Increase

in Online Sales at
Christie's, Sotheby's and Phillips
in 1H 2020 vs. 1H 2019
(Artnet)

3

New Buyers Flock

Surging activity from newcomers under age 40 across collecting categories

40% New Buyers

at Online Auctions in 2020
(Credit Suisse)

4

Resilient Price Levels

Despite lower overall volumes, art pricing, especially at the high-end, has increased in 2020

6.7% Increase

in Contemporary Art Index
in 2020 YTD ⁽¹⁾
(Masterworks)

Source: Internal Masterworks analysis. ArtTactic. Artnet. Credit Suisse. Index data updated as of July 30th, 2020.

Notes: There are significant differences between the asset classes presented. For additional information, see Important Disclosures.

1. 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.

Important Disclosure Information

The investment opportunities described in this document are speculative, involve a significant degree of risk, and are not suitable for all investors. An investor could lose all or a substantial amount of his, her or its investment. Any investment of a type described in this document may be highly illiquid and may be subject to restrictions on transfer. There may be no secondary market for the investment interest and none is expected to develop. The relevant investment may involve complex or specialized tax structures. Such investments are suitable only for sophisticated investors and require the financial ability and willingness to accept the significant risks inherent in such an investment for an indefinite period of time. Investors should consult their own finance, legal, accounting and tax advisor prior to making any investment.

This document contains certain forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may,” “will,” “should,” “potential,” “intend,” “expect,” “outlook,” “seek,” “anticipate,” “estimate,” “approximately,” “believe,” “could,” “project,” “predict,” or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, or state other forward-looking information. Our ability to predict future events, actions, plans or strategies is inherently uncertain and actual outcomes could differ materially from those set forth or anticipated in our forward-looking statements. You are cautioned not to place undue reliance on any of these forward-looking statements.

Materials may include composite returns of an index of similar works selected by Masterworks based on public auction sales data. The index is used for comparative modelling purposes only. Each painting in the index is unique and historical performance of the index is not a direct proxy for performance of the specific painting or the shares. There is no current market for the shares and performance of the shares will reflect costs and fees described in our SEC filings that are not reflected in the index. Past performance may not be indicative of future performance. Important Disclosure.

Important Disclosure Information (Continued)

USE OF INDICES

INDICES ARE UNMANAGED. AN INVESTOR CANNOT INVEST DIRECTLY IN AN INDEX. INDICES ARE USED FOR COMPARATIVE MODELLING PURPOSES ONLY. THE TIMING OF TRANSACTIONS IN A PORTFOLIO, ADVISORY, AND TRANSACTION FEES, AND OTHER MANAGEMENT ACTIVITIES CAN CREATE SIGNIFICANT DIFFERENCES BETWEEN THE PERFORMANCE OF AN INDEX AND AN INVESTMENT SEEKING SIMILAR OR SUPERIOR RELATIVE PERFORMANCE RESULTS. INVESTORS ARE CAUTIONED THAT NO INDEX IS DIRECTLY COMPARABLE TO THE PERFORMANCE OF ANY SPECIFIC ASSET OR INVESTMENT SINCE EACH INDEX HAS ITS OWN UNIQUE RESULTS AND VOLATILITY, AND SUCH INDICES, IF SHOWN, SHOULD NOT BE RELIED UPON AS AN ACCURATE COMPARISON. AVERAGE RATES OF APPRECIATION REFLECTED IN AN INDEX MAY NOT BE REPRESENTATIVE OF THE PERFORMANCE OF ANY SPECIFIC WORK.

Materials may include estimates of historical appreciation rates based on publicly available historical auction sales data for similar objects. These appreciation rates may be presented in graphs, charts, diagrams or as stand-alone statistics and may be presented as an index relating to certain segments of the overall art industry, a particular artist or a particular set of paintings selected for their similarity to a specific painting offered through www.masterworks.io (the "Site"). Art indexes are used for comparative modelling purposes only. Each painting in a given art index is unique and historical performance of the index is not a direct proxy for historical price performance of the specific painting or any investment in securities referenced on the Site. There is no current market for any securities referenced on the Site and any investment in such securities will reflect costs and fees described in SEC filings that are not reflected in the index.

All information for an index prior to its launch date is back-tested, based on the methodology that was in effect on the launch date. Back-tested performance, which is hypothetical and not actual performance, is subject to inherent limitations because it reflects application of an index methodology and selection of index constituents in hindsight. No theoretical approach can take into account all of the factors in the markets in general and the impact of decisions that might have been made during the actual operation of an index. Actual returns may differ from, and be lower than, back-tested returns.

Masterworks strongly cautions investors not to place undue reliance on index data presented.

Important Disclosure Information (Continued)

YOU MUST READ THE DOCUMENTS FILED WITH THE SEC, INCLUDING THE OFFERING STATEMENT FOR A PARTICULAR INVESTMENT, BEFORE MAKING AN INVESTMENT DECISION. THE INFORMATION IN THAT OFFERING STATEMENT WILL BE MORE COMPLETE THAN THE INFORMATION MASTERWORKS PROVIDED IN THIS PRESENTATION, AND COULD DIFFER IN IMPORTANT WAYS.

Securities transactions and broker dealer activities are currently offered through a partnership with SDDco Brokerage Advisors LLC MEMBER FINRA / SIPC ("SDDco-BA"). Masterworks.io and its affiliates are independent and unaffiliated with SDDco-BA. Any securities transactions or related activities offered by Masterworks.io associated persons are conducted in their capacities as registered representatives of SDDco-BA, or in their capacity as a "principal" to the transaction pursuant to SEC Rule 3a4-1.

The value of investments and any income derived from them may go down as well as up. An investor can lose all or part of their invested capital. Past and projected performance of specific paintings or artists is not indicative of future results and is not intended to be comparable to performance of Masterworks-sponsored offerings, which include certain fees, profit-sharing and expenses that are not included in such performance.

Masterworks, LLC is located at 497 Broome St., NY, NY 10013