BEAUTIFUL ASSET ADVISORS® LLC

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2009 YEAR END ART MARKET INSIGHTS BASED ON THE MEI MOSES® ART INDEXES©

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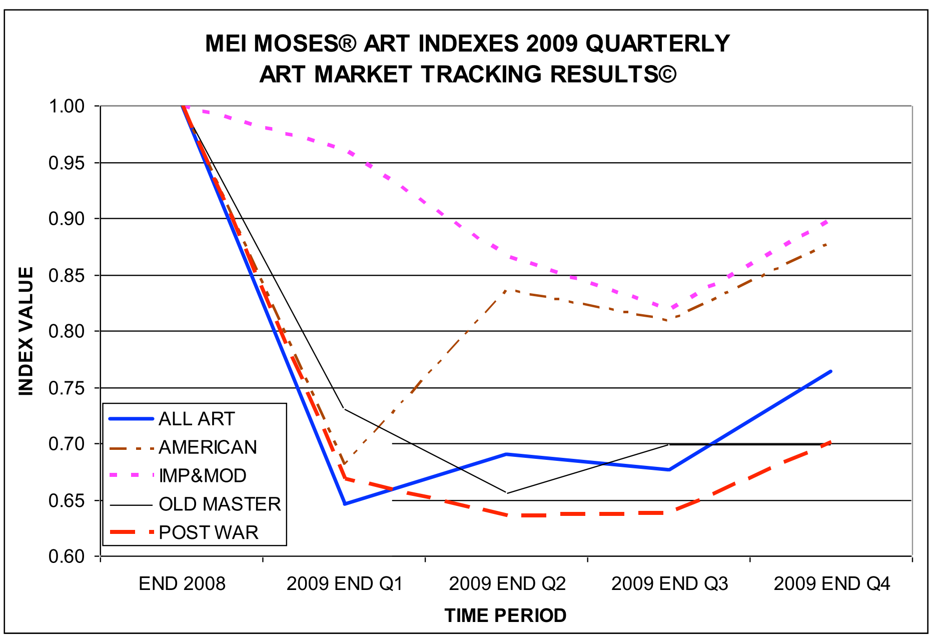
FOURTH QUARTER INCREASE OF 13.1% REVERSES ART MARKET SWOON BUT IS INSUFFICIENT TO AVERT A DECREASE OF 23.5% FOR THE YEAR IN THE MEI MOSES®ALL ART INDEX



ALL ART INDEX MARKET PERFORMANCE

Index creation for individually unique objects like residential real estate and art requires a different approach than stocks, bonds and commodities. This is due to their infrequency of trading and differences in the characteristics of the objects that come to market from period to period. Thus for these types of products financial performance derived from changes in an index based on average prices over a period of time may be more dependent on the mix of objects that come to market rather than changes in the underlying market itself. To address the issue of financial performance for these types of goods requires a database of repeat sales of the same object. We have developed such a database for art which now has approximately 15,000 repeat sale auction pairs to which approximately an additional 1000 pairs are added each year. We employ a similar methodology and data collection philosophy as that used to compile the Standard & Poors Case Shiller residential real estate index.

The 2009 decrease in the return of the Mei Moses® All Art index of approximately 23.5 percent is the largest decline in the all art index since the 1991 decline of 38.7 percent. The 38.7% decline occurred after the bursting of the last art bubble of 1985-1990. The 23.5% was also the second largest decline since the great depression. The declines of 2008 and 2009 occurred after five years of positive annual growth averaging almost 20 percent. The 2009 decline of the all art index was particularly depressing given the substantial year to date results of most other financial assets. As an example the year to date (12/18/2009) value of the S&P 500 total return index (where dividends are reinvested tax free) had a gain of almost 23% over its 2008 year end value. However the most recent ten and five year compound annual returns (CAR) for art, 5.5% and 3.3%, substantially exceed the returns of stocks, -1.3% and -0.1% respectively. Stocks outperformed art over the last twenty five years with a CAR of 10.4 percent compared to 6.5 percent for art. However, for the last fifty years the returns were very close with art achieving a CAR of 8.9% compared to the 9.4% for equities. Figure One shows that art seems to have reset itself to 2005 levels while stocks have been at these levels several times, the earliest being 1998-99.

There has been some recent discussion of the long term comparison of these two asset classes in academic circles. Since the Mei Moses All Art index goes back to 1875 with a strong explanatory power of over 60% we can confidently compare it to an academic reconstruction of the S&P 500 Total return index which starts in the same year. Figure Two illustrates this comparison. From this illustration it is clear that equities outperform art over the entire period by a substantial amount. (A CAR of 8.7% vs.4.5% respectively) But a closer inspection of the results indicates that equities substantially out performed art until the mid 1950's but since then the trend of the increase has been about the same. What would explain this dramatic shift? We believe that during the earlier period there was more art than the supply of wealth could consume even though the "robber barons" of the time made a sustained effort to amass large collections. However since the 1950's the growth of high net worth world wealth has increased substantially while the supply of established or mature art has remained constant or decreased, partially due to the ultimate public largess of the former "robber barons", leading to a more wealth than mature art syndrome and increasing art prices and returns.

In addition to return, risk is another important measure of financial performance. It is also clear from Figure one that equity index has been much more volatile than the art index for the last ten years but much less volatile than art over the prior 15 year period. The risk associated with each index is measured by the standard deviation of the changes in their annual returns. The risk associated with the Mei Moses® All Art index is less than that of the S&P 500 total return index, 14.1% vs. 20.5% respectively, over the last ten years and 17.6% vs. 18.2% respectively over the last 25 years. We think this was caused by arts methodical rise since the late 1990’s after a pronounced downturn in the early 1990's and a pronounced drop over the last two years. Contrasted with stocks meteoric rise of the late 1990's and a slow recovery after the 2000-2002 downturn followed by substantial increases until last years dramatic decline that returned it to 1997 levels and then this years significant gains. However the risk for the equity index over the last 50 years, 17.1% is slightly better than the art index 17.9%. Over the past two years our results show that there has been a substantial reduction in the historic risk preference of equities over art.

The correlation of returns among assets is another measure used in financial decision making. There is low correlation between the annual percentage changes in the art and stock indexes. The very low correlation factor of negative 0.02 and a positive 0.09 between the art and stock indexes for the last 50 and 25 years respectively and its negative and small correlation with bonds for the same time periods indicates that art may play a positive role in portfolio diversification.

FIGURE ONE

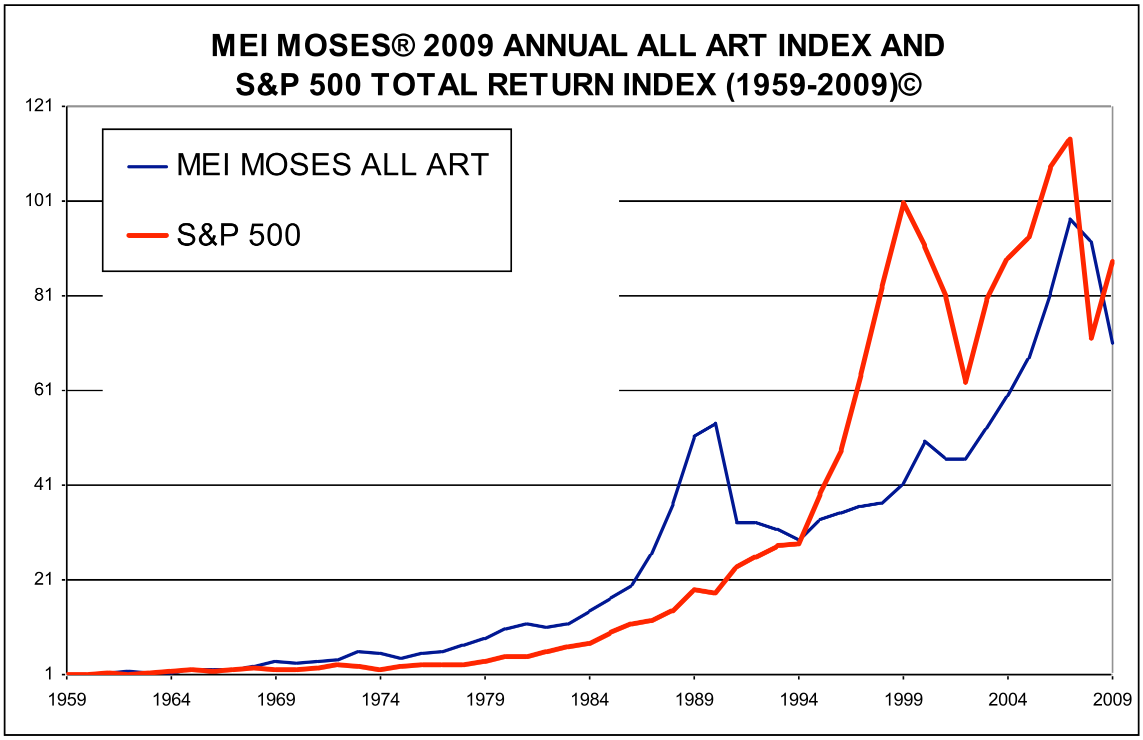
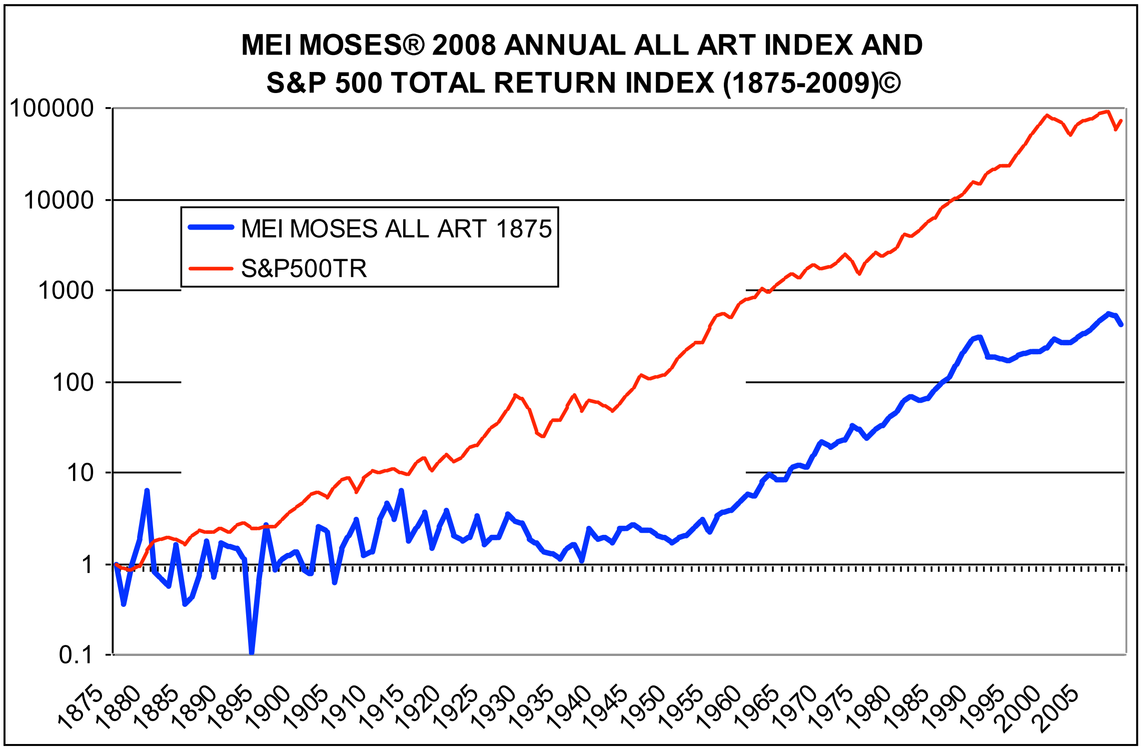

MEI MOSES® 2009 ANNUAL ALL ART INDEX AND
S&P 500 TOTAL RETURN INDEX (1959-2009)©
MEI MOSES ALL ART
S&P 500
121
101
81
61
41
21
1
1959
1964
1969
1974
1979
1984
1989
1994
1999
2004
2009

FIGURE TWO



CONCLUSION

Our research has shown that art is like most other assets it has its periods of excesses, 1985-1990 when our index grew at a compound annual rate of over 30%, and failures, 1991-1995 when it lost 65% of its value. Whether the future will be like the last 10, 25 or 50 years is impossible to predict. We do however believe that if the change in the equity market from negative to positive returns over the last two years continues causing a rebuilding of the stock of financial wealth, it should eventually mitigate the extent of the correction in the art market.

We must point out that prior performance of our indexes is no guarantee of future results. In addition there is no guarantee that random collections of individual works of art or stocks will yield index returns. We are not financial advisors or in the business of recommending art as an investment. Investment decision should be based on the risk return tolerance and time horizon of the investor with, if desired the support of a licensed financial advisor. This information is provided "as is" and with no representations or warranties either express or implied of accuracy, merchantability, fitness for a particular purpose or of any other nature are made with respect to this information or to any expressed views presented in this information.