



COLLECTABLES

A commitment with strings

When you next hear the sweet sounds of an 18th century violin filling a concert hall, think of the investor who may have spent thousands of pounds to put the instrument in the hands of the virtuoso.

In the 20th century, prices of the finest old Italian instruments rose beyond the reach of most musicians, whether a young superstar trying to buy a \$4m Stradivarius or an orchestral player spending the price of a London flat on an instrument by a lesser maker.

String instruments are unusual because they are both works of art and tools of the trade. Prices of the finest instruments have risen for generations because of their unique sound quality and ability to project the quietest note above a full orchestra. No modern maker can reproduce this special tone or manufacture the romance of owning and playing an instrument that was made before Mozart was born.

Violins, violas and cellos are also unusual because they are not subject to the whims of fashion or the art market. The design of a violin has not changed for more than three centuries.

Recent returns on investments in stringed instruments have been steady. A violin by Guaragnini, made in the early 18th century, was priced at about \$7,794 in 1960. This rose to \$79,796 in 1978 and \$418,680 in 1996. Today, a New York dealer estimates that a violin like this would sell for between \$750,000 and \$1m.

A London dealer who sold a 1733 Stradivarius for \$270,000 in 1977 estimates that he would sell the same instrument for \$6m today.

This steady but unspectacular return of roughly 11 per cent a year has been enjoyed only by authenticated instruments from the best makers, accompanied

by a certificate from a well known and trusted dealer.

One of the best ways to invest in a string instrument is as part of a group who jointly own an instrument and lend it to a player.

Nigel Brown, a stockbroker and keen amateur violinist, runs a programme to put the finest instruments in the hands of the finest players. He and the player find a group of people who are willing to own a share of the instrument. Then the player buys it back steadily at a rate determined by an independent valuation.

Along the way, the player puts on concerts for the investors. Nigel Kennedy, Natalie Klein and many others have been able to play immensely expensive instruments thanks to investors joining together through Brown's scheme.

At the moment he is trying to raise £200,000 for a viola made in 1530 by Antonio Brenzi of Bologna. It will be played by Lawrence Power, a 28-year-old who has already performed concertos at the Barbican in London, and has played as guest principal for the Berlin Philharmonic. Investors can thus enjoy an extra non-financial return by supporting a rising star and hearing their asset delight thousands.

Edward Webb



Nigel Kennedy has benefited from investment

being a limited company but with most of the tax benefit taken away," says Warburton.

The government's new measures are related to its need to raise tax revenue to reduce borrowing requirements, though it makes no estimate of how much it expects to raise. The measures also suggest a hardening of the government's attitude to what accountants view as an entirely legal and acceptable activity, unlike tax evasion, which is unequivocally illegal.

An increasingly complex tax system has inevitably spawned a flourishing tax avoidance industry, and both legal and government opinion have moved in response. What we now have is a distinction between tax avoidance, or "abusive" tax avoidance, which implies, among other things, that the trans-

actions involved lack a genuine business purpose, and tax mitigation, which means conducting genuine business transactions in a tax-efficient way.

Brown's thinking was clear in a document written in 1994 on countering tax avoidance: "The taxpayer is entitled to take advantage of the law to minimise his or her tax bill. But the creation of devices designed deliberately to avoid tax is a different matter."

He added: "It is the complexity of the present system that has encouraged the growth of a flourishing avoidance industry," and promised to look at ways of simplifying the system.

Perhaps he is saving that as an election corker for next year's Budget, but accountants are not holding their breath.