



KUNST21.COM

Crowdfunding in art and collectibles

2021

VISION

Kunst21 enables investors to take part in the opportunity of buying shares of contemporary artworks via cutting-edge technologies. The vision is to allow customers to combine their passion for art with advantageous financial prospects. Our focus is increasing the liquidity in the lower-to-medium end of the art market, which will make the prices more stable making art investment more attractive to new market participants.

"Providing liquidity to contemporary art investments we achieve more stable prices, bringing new investors into art."

The art market has changed immensely during COVID 19. In 2019 sales dropped drastically while over the course of the pandemic a shift towards online sales was recorded, with innovative digital artworks and negotiation methods based in new technologies.

MISSION

Kunst21 aims to be able to offer unique investment opportunities to the customers while limiting the risk to a minimum through diversification possibilities via divided ownership. These opportunities are offered and available to every market participant, not only on a local but international level, process also known as investment democratization.

"Allow everyone to invest and reduce the risk when buying art."

A reliable platform is being created to enable investors to buy shares in their desired artworks. To generate a safe investment opportunity, Kunst21 uses blockchain technology to create a forgery-proof as well as a fast information transfer platform.

CORE VALUES

Our core values include providing our customers with quality products which are safe, profitable, and accessible.

The safety variable implies all transactions being settled instantly on a reliable and permanent ledger. Profitability is reached through the diversification of portfolios and lastly, accessibility is achieved through the opportunity of allowing everyone to participate through low share prices.

MARKET ANALYSIS

The art market has been growing steadily over the past decades. The estimated 67.4-billion-dollar industry is mostly lead by the dominating United States, followed by the United Kingdom and China while Germany places 11th.

Though the concept of using art as a reliable value opportunity has been present for hundreds of years, its form of delivery has been changing constantly. Lately the online art market reached a high of 9% of total sales and it can be expected to continue growing.

One aspect of art has not changed in the past – the willingness to invest in art has almost exclusively been an option to the wealthiest parts of the community. The opportunity of buying shares of individual artworks has rarely been introduced. Already existing providers mostly focus on high value paintings.

The underlying blockchain technologies have gained importance over the past years. Although its acceptance and understanding in society as a fast and reliable payment and transaction method is still low. The lack of acknowledgement within the industry leads to it being rather unrepresented in the art business world.

When taking a close look at the business model of galleries, it becomes apparent that the selling of pieces comes with a rather high level of charges. A 45% to 50% commission when selling painting is not unusual. These charges lead to an increase in prices as well as artists being limited in their profit options if they are unwilling to conduct the selling process themselves. Understanding the importance of galleries, Kunst21 aims to offer alternative and complementary selling options. Therefore, introducing an option allowing consumers to buy shares of art pieces through blockchain technology represents a niche product.

As the markets develops, we see some influential factors for our platform, which are described in the figure 1.

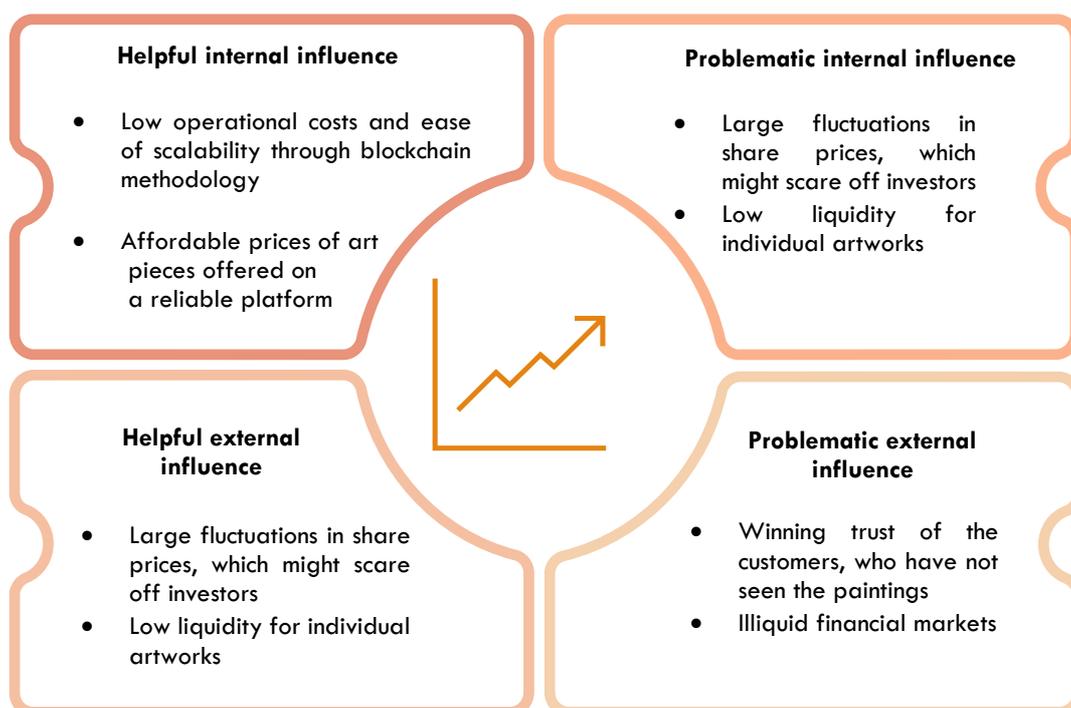


Figure 1: Analysis of Influential Factors

UPCOMING TRENDS

In 2021 digital artworks deployed and negotiated via blockchain, also known as NFTs, have surged with an exponential growth. NFTs are a rather new selling method for the artists, which provide a proof of provenance, ownership, and value.

- Provenance can be defined as the artwork first sold by the artist himself or the gallery representing him. Therefore, future owners can trace prior possessors up to the creator.
- The definition of ownership at Kunst21 implies that the share of the artwork is secured to the collectors personal blockchain address and he is the only one capable of future trading. The artwork remains available for internet users to be seen and enjoyed.
- For value, if traded through well-known NFTs platforms, the prices paid by collectors are publicly available, enabling the bringing of the long-awaited transparency to the artworld.

This rise of digital artwork has been named the *Internet Renaissance*. As part of this period, wealth is transmitted to art and represented by art collections at the same time. It comes with the following advances: the ease in negotiation, directly sold for a fixed price or via an auction, speed of transactions, art pieces are directly sent to the customers address once sold, as well as fast payments bringing agility to the art commerce. This simplicity in art trading has not been experienced before, neither with the entry of internet or ecommerce. This ease in negotiation brings new investors into art world, helping to achieve more sales and higher prices.

Parallel to the NFTs development, the fractionalized ownership trend has emerged. The purchase of an artwork is divided into shares with rights for the future proceeds after a sale. Fractionalized ownership has proven to support increasing the value of artworks, since it enables a broader participation of individuals in investments, which would not have been possible in the past.

Thanks to the digital artworks' negotiation and fractionalized ownership, more money than ever is invested in the art world, and Kunst21 will help direct it to the art creators and promoters.

ART, BLOCKCHAIN AND THE PLATFORM

When noticing that art trading was underrepresented, the founder of Kunst21 researched different possibilities to make the acquisition of artworks more accessible. Therefore, a platform for divided ownership has been created, using blockchain technologies. All customer transactions are recorded with a three to five second settling time for trades while charging low transaction costs compared to traditional brokers.

To access the offered opportunities, the customers funds are transferred to the Kunst21 bank account and translated into EURK, which has a 1:1 value pegged to Euro. EURK will be the currency used for the account balance and overall liquidity held by the participants.

Market opportunities are presented via shares, also known as security tokens. Acquiring these tokens allows customers to access future proceeds in the event of sale, as well as the right to decide if an artwork should be sold.

For every artwork exist different security tokens, with unique corresponding names. The number of tokens also varies depending on the value of the first sale (Initial Art Offering).

The investment experience can be described as follows: once the funds have been received by Kunst21, the customer's wallet balance is updated. The customer's experience of selecting an artwork to become part of his portfolio begins. Through selecting the *commit funds* button, the buyer will be led to an exchange-swap interface. The connection with the Freighter wallet allows funds to be committed and for shares to be transferred into the personal wallet. Shares can be traded at any point in time, until the sale.

The tokens merely have a value within the platform, they can be traded between customers or be exchanged to Euro.

TARGET GROUP

In order to differentiate between target groups, three segments have been formed. The first target group focuses on young entrepreneurs who are risk oriented and are looking for attractive returns. The second segment focuses on more experienced investors looking for alternative long term investment opportunities. Lastly, art enthusiasts represent a target group interested in opportunities to invest in their passion while generating profits. An overview of the different segments is given in Figure 2.

	Entrepreneurs	Long Term Investors	Art Enthusiasts
Occupation	Entrepreneurship, middle management	Middle and senior management, investor	Visual art entrepreneur, middle and senior management
Income	>24K Eur	>40K Eur	>24K Eur
Values	Liquidity, flexibility, ROI, risk taking	Liquidity, safety, risk coverage, regular income	Safety, risk coverage, art worth.
Interests	Investments, startup, ROI, passive income	Financial planning, passive income, investment strategy	Art, paintings, investments, passive income
Location	EU & US	EU & US	EU & US
Financial User Status	Financially secure surplus money	Financially secure surplus money	Financially secure surplus money

Figure 2: Segmentation of the Target Group

COMPETITION

Companies offering shared ownership as financial assets are rare in the market, and the few competitors focus on high worth paintings.

The products of Kunst21 resemble a niche market, allowing customers to invest in the art market without paying high commissions and having to deal with the ownership paperwork. Exclusive proprietorship as financial asset is no new concept. The competition in the offline market mostly stems from galleries and artists themselves. Established

galleries usually already have a returning customer base allowing them to make personalized offers and distinct service. Though galleries charge a rather high commission of up to 50% of the selling prices and therefore drive up the price level. Further the focus at Kunst21 lies on individual ownership rather than using art for multiple shareowners. As of artists, their passion usually lies outside of the business perspective while economical sales are time consuming and require some expertise in the business field. An overview of possible competitors is displayed in Figure 3.

	Auction Houses	Art Galleries	Art Investment Funds	Kunst21
Fees charged	25%	40-50%	2+20%	10%
Short term investment horizon	X	X	✓	✓
Long term investment horizon	✓	✓	✓	✓
Fractionalized ownership	X	X	✓	✓
Portfolio creation	X	X	X	✓
Dealing	✓	✓	X	X

Figure 3: Possible Competitors

MARKETING AND SALES

All marketing activities are aimed towards three different target groups – artists, investors, and galleries. To grow the business, sustainable partnerships with galleries and artists are necessary. Regarding the economical point of view, it is more reasonable to work directly with artists, which will allow Kunst21 to reduce the spending on commissions paid.

In order to reach talented artists, sensible promotional measures have been selected, such as promotion during gallery events, social media presence and content marketing. Though special attention will be given to direct marketing in the forms of establishing contacts via e-mail and call approaches.

Regarding the creation of professional partnerships with galleries, introductions in person are the primary method of choice. Therefore, meetings with local art dealers are to be held as well as attendance during events are planned.

Lastly, the most crucial factor will be to reach investors willing to buy shares of the offered paintings. Here the focus lies on billboard advertising, social media presence, content marketing as in blogposts, newsletters and first and foremost, the company's website.

REVENUE MODEL

To build a sustainable business model, it is of great importance to the company to create a revenue producing strategy. Generally, profits are generated during the process of artworks acquisition. A 10% commission is included in the buying price. Additionally, auctions will be held regularly in which artworks will be sold if investors wish to sell. Here, a commission of 20% is charged. Further, Kunst21 offers museums or exhibitors the opportunity to rent paintings to display them. In this case 20% of the profit is allocated to the firm while 80% are distributed amongst the investors. Lastly, measures are taken to finance the expenses for the storage and insurance of the artworks, a comparably low transaction cost of approximately 0,5% will be charged.

Regarding the pricing strategy it is evident that the fees charged are lower than offered by competitors which will allow the company to create a competitive advantage. Though the corporate management is certain that the business model results in a sufficient revenue through high trading volumes.

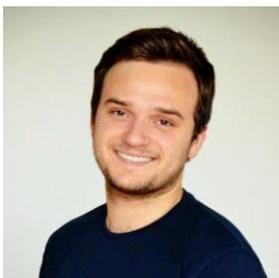
THE TEAM

Kunst21 is aware that choosing their employees carefully will impact the company's success. Therefore, only highly skilled, qualified individuals are considered for open positions. The team currently consist of three people thriving for excellent results and an external consultant for security related concerns.



John Felipe Branch. Founder and blockchain architect.

Felipe industrial engineer who has six years of experience in investments and complex financial products. He has worked in autonomous driving research at a German University. He is a painter and art collector and understands the art business challenges.



Alejandro Javier Perez. Operations and systems analyst.

Alejandro has a M.Sc. in Industrial Engineering and experienced miner for four blockchains. Previous experiences include technical marketing activities at Hilti, and entrepreneurial experience in industrial product development. He worked for Moody's Analytics as a Database Engineer before joining Kunst21.



Gotje Frieda Rubarth. Business development manager and partnerships.

Gotje has a degree in International Business with a major in Human Resource Management and International Business Strategy. Former work experiences include creating unique customer experiences at Apple and working in human resources at multiple companies.

ROADMAP

Prior to the launch of the final Kunst21 product, certain steps need to be taken to guarantee offering the best possible product to the customers.

During the first phase, the development team was focused on the set up of the underlying technological infrastructure, which has been successfully achieved. In the business development department, the focus lies on analyzing the existing market situation to create a sensible plan on how to overcome entry barriers.

In the second phase, the developers will be focused on a frontend exchange with graphics to easily track an asset's performance, while the marketing team sets up a plan on how to carefully reach the target group. Further, advisors are contracted to fulfill all the legal requirements necessary to build the crowdinvesting platform. In the communication phase artists and galleries are contacted in order to get their support for the initiative and commitment to sell on the platform.

Further, accounts are set up and a sensible KYC provider selected. On the developer side, received feedback is integrated to reach a smooth transaction process. The last step before launching will be the assurance of being compliant with supervisory authorities for the end product. The marketing plan needs to be put into action and interested investors need to be informed about the launch date to achieve the expected results.

Kunst21 is currently in the process of moving from the second to the third step of developing partnerships, carrying out all legal procedures and improving the platform to work at its finest.



Figure 3: Roadmap

RESOURCES

Kunst21 is a company which is always looking for cooperation to increase the opportunities for investors. The first alliance has been with the *University of Applied Sciences Dresden*. The institution has been of great managerial and legal help, as well as provided a workspace allowing for the first steps of business to happen. Further *Future SAX* as well as the *Sächsische Aufbaubank* provided the founder with the necessary funds throughout the first year of establishing the company.

The *Stellar Community Fund*, which allows startups to advance their Stellar-based projects, has been the greatest financial achievement of Kunst21 so far. It enabled the company to hire its first employees and move to the actual founding phase. Future plans involve being financially independent, thanks to the platform's revenue.

Thank you for your support so far,
The Team of Kunst21