

## COLLECTABLES

### INVESTING IN STAMPS AND AUTOGRAPHS...

#### Does investing in stamps or autographs distinguish itself from investing in other collectables such as vintage cars, wines and art?

The rare stamp and autograph markets have an enviable price history, this sets them aside from other alternative investments. There is full data available, year by year, on every stamp ever printed. This amounts to over 4 mn stamps worldwide. Our investors are able to track the performance of any rare stamp over 140 years as prices have been carefully documented in Catalogues dating back to 1865. Each stamp (and every variation) is also given a Stanley Gibbons reference number (eg Great Britain SG2) and this reference is recognised globally.

Our markets are very much collector driven. This is very important. There are an estimated 48mn stamp collectors around the world, including 18mn in China alone. Our website received over 4mn unique visitors last year, 7.5% of those came from China. This is an exciting new market.

It is these collectors who underpin prices for the investor. I can't think of another alternative investment that has such an underlying body of collectors offering such stability to the market.

The financial barriers to entry are possibly much lower too. Investment Grade rare stamps are available from as little as GBP1,000. We have a minimum investment level of just GBP5,000 which makes this type of collectable attractive to a broader spectrum of investors.

#### "Headline risk" and capacity constraints are often cited as constraints to investing in this asset class? Do you agree?

As both the rare stamp and rare autograph markets are collector driven, 'headline risk' is minimal. The fact that the market is driven by long term 'collector' holders rather than short term 'investor' holders, means that the market has much less volatility than some other alternative investment markets.

#### How suitable is it as an asset class for pension funds?

As the British Rail Pension Fund showed, collectibles can be a profitable holding as part of a pension fund. Liquidity is not immediate and stamps are not priced on a daily basis - but there is no reason why a holding of top quality rare stamps, of a highly collectable country, should not make up part of a fund. The long term stability of the market is well documented.

Our indices show that rare stamp prices have not dipped in any five year period since 1970. We have a handful of pension fund managers investing with us personally on an individual basis. Collectable investments are all about diversification. The current corrections on the world stock markets and the worries over US house prices have confirmed the need to have a well balanced investment portfolio.

#### How much would you recommend, an investor should allocate (per cent) to stamps and autographs in order to optimise portfolio diversification?

The Merrill Lynch Wealth Report suggests 10% of a portfolio should be in alternatives in general. We certainly wouldn't suggest any more than 5% in a particular alternative. We are stamp and autograph experts and not financial advisers so we leave it to our clients to decide.

#### Is there a scientific approach involved in the valuation of stamps? Or is it an art?

The valuation of rare stamps is based on the quality of the individual items. Those that we offer, for investment purposes, tend to be of known quantities with a provenance. For example we can tell you there were 225,000 printed but only 6 are known to exist. There have been 1,000s of reference books written on the subject. It's another factor that gives investors confidence in this type of investment. Another scientific element is the rise in importance of grading stamps, particularly in the US. Stamps there are graded by a professional grader according to condition. Obviously those of a higher grade are rarer. We have seen that the price of a stamp just one or two grades above the norm can be significantly higher.



Adrian Roose

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### INVESTING IN STAMPS AND AUTOGRAPHS...

#### The role of your performance monitoring indices ...

We have various indices that track the performance of the rare stamp and autograph markets. They include over 140 years of data, we have made these available to the investor as a snapshot of the market.

The SG30 rarities index is the most pertinent to the rare stamp investment market. It tracks the performance of the 30 rarest Great Britain stamps available on the market. It shows a 149.1% compound return since 1999 and has returned in excess of 10% pa. in each of the last 5 years. Because the constituents of this index remain unchanged we are able to back test the index over time. Over 50 years this index returns over 10% per annum.

The Frasers100 Index tracks the 100 most sought after autographs, it shows a 257% return in the last 10 years.

#### "Guaranteed minimum return contracts"... assumes you can „forecast“ how much a certain stamp or series would be worth over different time frames. Is this really possible? What is the accuracy level of the forecasts ... why?

The Guaranteed Minimum Return Contracts offer investors easy entry into the rare stamp market, with the comfort of a guaranteed return. The shortest option available is a 3 year contract at 4% per annum. This will return a minimum 12% capital gain at the end of the contract period - at par with a bank deposit rate, but with an unlimited upside.

They are limited to a level, the company could comfortably repurchase each year out of normal working capital. The stamps within the contracts are of the highest quality and highly sought after.

The actual returns which will be achieved, indeed are being achieved - are expected to exceed the minimum returns based on the quality and rarity of items included within investment contracts and are backed by a 50 year history of long term price appreciation in the rare stamp market averaging 10% per annum.

We are already witnessing a squeeze on the quality of the stock in the open market, it is becoming increasingly difficult to source quality items. The Guaranteed Minimum Return Contracts are designed to offer us a pipeline of quality stock over the next 3 to 10 years.

#### What would you say the total stamp market is currently worth... avg. annual rate of growth over the last decade ... and your views on what it could be over the next decade?

The SG30 rarities index shows an increase in excess of 10% per annum in each of the last 5 years.

The rarer the stamp, the better the return. Bill Gross, head of the world's largest fund, recently sold part of his collection in auction in New York. Purchased in 2000 for approximately USD2,5mn, it sold for USD10.5mn.

#### Comments/remarks...

It's a very interesting time for the market.

The sheer size and potential of the China market is hard to comprehend. Add to that an Indian population that is already having an impact on the global stamp market and the potential for the rare stamp market is huge.

We recently auctioned an India collection containing many rarities. Every lot sold. A 100% success at auction is almost unheard of.

It's a healthy barometer for the current rare stamp market.

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