

FINANCIAL POST

Morrell Stamps

PERSONAL FINANCE

Collectibles a great alternative for investors

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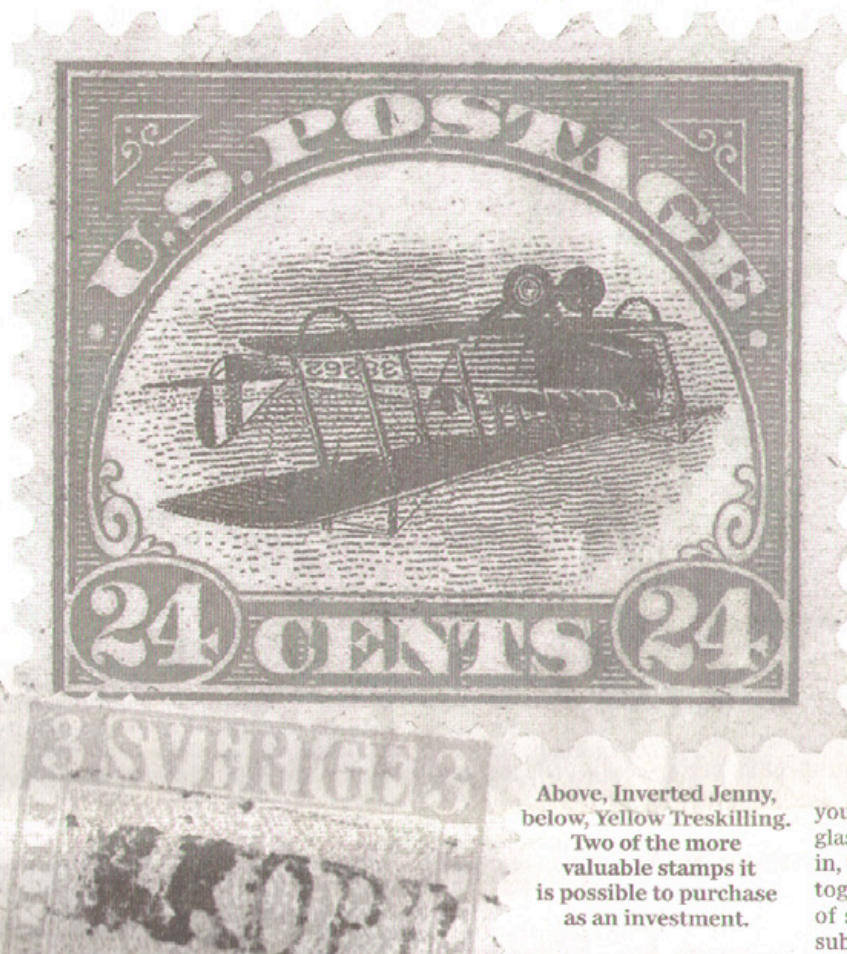
Stamps can give stocks a licking

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Diversifying beyond stocks into say, rare stamps or coins, baseball cards or other collectibles appears a daunting task if you don't know anything about what you're collecting. Aside from losing your items, the main problem is that you may pay more for something than you can sell it for. But that's no more risk than that faced by stock investors.

There are counterfeit coins, stamps and sports cards, for example, but buying from established, reputable auction houses offers some degree of safety. Targeting the high end — paying \$10,000 or more at an auction for a single coin, stamp, postcard or the like — increases the odds that you own a rare item. The drawback? The value of your investment plunges if someone else finds a box of them in his grandmother's attic.

Are stamps a good



Above, Inverted Jenny, below, Yellow Treskilling. Two of the more valuable stamps it is possible to purchase as an investment.

waste hours poring over all the neat stuff.

Heritage Auctions, also of Dallas (ha.com), which bills itself as the world's largest collectibles auctioneer, is another reliable source that conducts weekly online auctions of rare stamps. At its Feb. 4 auction, an 1847 dark brown Benjamin Franklin 5¢ stamp sold for US\$71,700.

Other established dealers would include — and we have doubtless left many names out — R. Maresch & Son Auctions Ltd. (maresch.com) of Toronto, Vance Auctions (vanceauctions.com) of Smithville, Ont., Eastern Auctions of Bathurst, N.B. (easternstamps.com), New York-based Cherrystone Philatelic Auctioneers (cherrystoneauctions.com) and Charles G. Firby of Detroit (firbyauctions.com).

If you want to trade stamps yourself, you will need a binder, glassine envelopes to keep stamps in, tongs and a magnifying glass, together with a Scott catalogue of stamp prices published by a subsidiary of Amos Press (amos-

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Are stamps a good investment? Almost no one mails letters any more so, logically, the hobby should be dying out. Stamp dealers, of course, will argue otherwise.

Three Bloomberg indexes of rare stamp prices, all based on monthly data from venerable stamp and autograph dealer Stanley Gibbons in London (stanleygibbons.com), show prices have been climbing



AFP PHOTO / EPA / SCANPIX NORDFOTO

Two of the more valuable stamps it is possible to purchase as an investment.

or sell commission-free through the company's auctions.

If that sounds like a good deal for Stanley Gibbons, you can also buy the company's shares, which are listed on London's AIM index.

You can buy stamps individually at Stanley Gibbons's online store, where a Mauritius 1859 SG, described as "unmistakably one of the great covers of Mauritius and British

glassine envelopes to keep stamps in, tongs and a magnifying glass, together with a Scott catalogue of stamp prices published by a subsidiary of Amos Press (amos-advantage.com), the international edition of which will run about \$150.

Canadian investor-collectors will find invaluable information at Canadian Stamp Auctions (canadianstampauctions.com). You'll have difficulty finding truly rare stamps trading on eBay. A recent search turned up 212,113 stamps for sale, but only 55 had attracted at least two bids to raise the price beyond \$500, and most of these were for entire collections.

Should you inherit or find a stamp collection in your grand-

Three Bloomberg indexes of rare stamp prices, all based on monthly data from venerable stamp and autograph dealer Stanley Gibbons in London (stanleygibbons.com), show prices have been climbing steadily for the past decade. But a stamp dealer is hardly an impartial source, so how do we know the numbers are reliable?

Geoff Anandappa, Stanley Gibbons' investment portfolio manager, says all its indices are based on printed catalogues that have been published by Stanley Gibbons since 1865. "Skeptics are welcome to check the indices against the catalogue prices," he says in an e-mail.

Stamp prices don't fluctuate like stocks, he says, because 99%



AFP PHOTO / EPA / SCANPIX NORDFOTO

rarest Great Britain stamps, Mr. Anandappa says. This index has averaged 9.9% per annum (compounded) for over 50 years and in that time, it has never fallen in value.

For investors who'd rather leave the stamp selecting to the experts, Stanley Gibbons offers managed portfolios of rare stamps for a £10,000 (\$18,118) minimum investment, all the way to its £1-million portfolio, which includes extremely rare stamps

stamps for a £10,000 (\$18,118) minimum investment, all the way to its £1-million portfolio, which includes extremely rare stamps and letters from historical figures.

The company also offers guaranteed minimum return contracts, similar to index-linked GICs. Stamp investors take out a contract for between three and 20 years, paying £5,000, £25,000, £100,000 or £250,000 for a portfolio of rare stamps, with a minimum guaranteed annual return of 4% for periods of five to nine years, and 5% for 10 years.

At the end of the term, investors may keep the stamps, sell them privately or roll over the contract. They can also choose one of three other options: take the guaranteed gains, ask Stanley Gibbons to buy back the portfolio of stamps at 75% of the current catalogue price

company's shares, which are listed on London's AIM index.

You can buy stamps individually at Stanley Gibbons's online store, where a Mauritius 1859 SG, described as "unmistakably one of the great covers of Mauritius and British Empire philately," is on offer for £95,000 (\$172,624).

You can buy a New Zealand 1855 SG three-stamp set, "a magnificent set of the highest rarity

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and importance," for £75,000 (\$136,282), while a Sierra Leone 1897 SG, one of only eight printed, goes for £45,000 (\$81,769).

Unless you are already a stamp expert, buy only from reputable dealers with experts who can identify counterfeit items.

As large and well established as Stanley Gibbons is, the company is a relative newcomer compared to Dallas, Tex.-based Spink Shreves Galleries (shreves.com) whose logo says it was founded in 1666. The hazard here, as with many huge auction houses that sell stamps, letters and other historic paraphernalia, is that you will

have difficulty finding truly rare stamps trading on eBay. A recent search turned up 212,113 stamps for sale, but only 55 had attracted at least two bids to raise the price beyond \$500, and most of these were for entire collections.

Should you inherit or find a stamp collection in your grandmother's attic, be on the lookout for either of these:

■ The Benjamin Franklin Z-Grill, a one-cent U.S. stamp issued in 1868 that had a Z-shaped grill pressed into it to discourage nefarious corresponders from washing out the postmark and using the stamp again. The grills did not work well and only two Z Grills exist, one in the New York Public Library and the other owned by Bill Gross, manager of Pacific Investment Management Co., or PIMCO. In 2005, Mr. Gross traded

the catalogues prices," he says in an e-mail.

lic Library and the other owned by Bill Gross, manager of Pacific Investment Management Co., or PIMCO. In 2005, Mr. Gross traded a block of four Inverted Jenny stamps, worth US\$2.97-million, with another collector to get the Z Grill.

■ The Treskilling Yellow, a Swedish three-skilling 1855 stamp that was accidentally printed in yellow-orange instead of blue-green. Only one example is said to exist. The Treskilling Yellow was first discovered in 1886 by a collector who found the then-31-year-old rarity in his grandmother's attic, and after the stamp exchanged hands a few times, it began to set price records. In 1990 it sold for more than US\$1-million, and it sold again in 1996 for 2.5-million Swiss francs (\$2.7-million).

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Stamp prices don't fluctuate like stocks, he says, because 99% of stamps are bought by collectors, not investors, and collectors have a tendency to hold on to their items for 10, 20, 30 years or more. There are about 48 million stamp collectors around the world, Mr. Anandappa adds.

"Collectors do not rush to sell their stamp collections when the economy is stalling. As a collector myself, I know that my stamp collection is one of the last things I'd sell," Mr. Anandappa says. "Collectors are driven by passion, whereas investors are driven by fear and greed. All these factors make stamps a very stable investment."

The best index for investment-grade stamps is the GB30 Rarities Index, tracking 30 of the