Stamp of approval from investors

Stamps, fine wine or paintings are not only a pleasure to own – they can be an attractive investment for entrepreneurs, too

By David Nicholson

"With stock markets and property taking a beating, and with interest rates staying at historic lows, people are looking for an alternative. The investment market for us is going from strength to strength, particularly from the Far East, where we're seeing six-figure investors."

So what is this asset class which is drawing breathless attention from Hong Kong and Singapore, from Beijing and Mumbai?

Keith Heddle is investment director at Stanley Gibbons, the world's premier stamp collection and investment experts and repository of international philatelic knowledge. Known as a hobby for enthusiasts from five to 85, stamp collecting has emerged as a genuine challenger for a place in the sophisticated investor's portfolio.

And why not? Pound for pound it represents, in many cases, the most valuable investment of all. Portable, easy to store, readily accessible to valuation and trade, stamps have maintained their investment cachet over the 170-odd years since values were first printed on small pieces of paper along with the sovereign's head.

Stanley Gibbons' database of actual and potential investors is swelling, along with the average value of each investment as the asset continues to cross over into mainstream territory from the marginal "exotic" rating that has held it back over the years.

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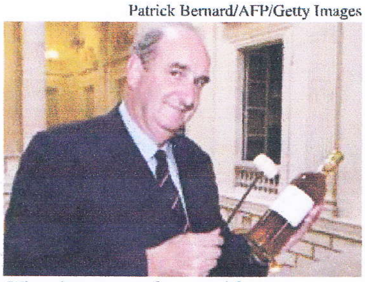
Stamp of authority: the Queen owns the largest and most valuable stamp collection in the world

Patrick Bernard/AFP/Getty Images



Wine: investment flavour of the year

"We now have independent financial advisers inquiring about stamps, along with family investment offices in Asia," Heddle says. "And a number of British entrepreneurs have popped up, looking at diversifying their investments and putting a lump sum into stamps.

"We're seeing Middle Britain, Middle England... people who have worked hard for decades and want to see their savings secure and maturing. They say, 'There's no point putting it into a building society, so send me some information on stamps'."

Stanley Gibbons offers a capital guarantee on stamp acquisitions, something that appeals to more conservative investors, along with a commission-free option for clients who invest at a certain frequency.

Heddle has a fondness for the royal associations that accompany stamp collecting and investment, stressing Stanley Gibbons links to the royal household – the Queen owns the largest and most valuable stamp collection in the world – and the company's personal links with the Keeper of the Royal Philatelic Collection Michael Sefi.

The newfound Asian enthusiasm for philately is a form of reverse imperialism, according to Heddle.

"There is certainly a new wave of interest coming from India, China and Singapore. We ran an advertising campaign urging them to 'grab a slice of British heritage' and they're now buying back a bit of Britishness, particularly Indians. In China there is a speculating and gambling mentality, so stamps are benefiting in the same way that wine as an investment has rocketed."

Stamps are some way behind wine as an investment flavour of the year: the prime Burgundy vintages such as Château d'Yquem, Château Lafite and Château Margaux are now selling at many multiples their value in the 1990s, mainly due to newly wealthy investors from Asia keen to prove their connoisseur credentials. This in turn has provoked a rush to buy wine among British investors frustrated by low interest rates and a lack of conventional investment options.

Expectations were further fuelled in January this year when Lord Lloyd-Webber auctioned off a cellar-full of his finest wines for just under $6m (£3.7m), with one case of 1982 Petrus alone fetching $77,500 (£48,500).

At Kennedy Black financial advisers in London, managing director Ben Smaje has noted a newly bubbling interest in grape-based investments, much of it inspired by Chinese acquisitions. Yet he remains cautious.

"You really need to know what you're doing with alternative investments," he warns. "In wine for example, the retail mark-up takes a big margin, so it can kill the economic reasons for investing. Then there are the costs of storing wine, keeping the humidity and temperature stable, which can be expensive."

Others point out that although fine wines such as Burgundies improve as they age, they also reach a zenith and start to depreciate beyond that age, meaning that there is an optimum time to sell. Whether you can achieve the ideal price depends on the state of the market at the time – a very hard judgment to make.

Many tangible asset investments are as much about the experience as about expectations of high returns

Debates currently rage over the dependability of wine as an investment asset: some studies purport to show terrific returns over 20 or 30 years, but critics argue that researchers have drawn upon selective and unrepresentative results, ignoring inconveniently poor returns which many wine buyers experience.

Smaje argues that many tangible asset investments are as much about the experience as about expectations of high returns. "You should treat these things as a bit of fun, because the risks to the uneducated investor are quite significant," he says.

Certainly wines took a major hit in the aftermath of the 2008 financial crisis and have only just returned to near or above their pre-crisis values.

Meanwhile, cars are "typically a depreciating asset", Smaje points out, and the art market is notoriously volatile and fickle, with bubbles blowing up and popping with each swing of the pendulum of fashion.

Headline acquisitions such as the auction of a James Bond Aston Martin or the sale of a classic Ferrari for millions will always pique the interest of the investing public, even though these events are wildly uncharacteristic of the market and almost impossible to replicate.

The art and antiques world had a sustained investment bubble in the 1980s, where distinguished auction houses such as Sotheby's and Christie's began to speak of "guaranteed returns" and "copper-bottomed investments", drawing up tables of expected returns and selling art-based bonds, as though items of furniture and painted works of art could not possibly fall in value.

Again, this bubble had its roots in the Far East, where Japanese art investors ramped up prices to astronomic levels before disappearing in the mid-1990s. It took some rude shocks before that arm of the tangible asset investment world returned to sanity.

Those with even longer memories might recall that tulips were once tangible investments, too.

Stanley Gibbons – www.stanleygibbons.com
Royal Philatelic Collection – www.royal.gov.uk
Château d'Yquem – www.yquem.fr
Château Lafite – www.lafite.com
Château Margaux – www.chateau-margaux.com
Kennedy Black – www.kennedyblack.com
Sotheby's – www.sothebys.com
Christie's – www.christies.com