

The risk/return characteristics of the postage stamp market

The objective of this study is to examine the investment characteristics of the international stamp market in order to evaluate its potential as a source of additional diversification for portfolios of risky assets.

The pricing mechanism, for stamps is discussed in conjunction with the problems associated with defining stamp quality. The nature of the stamp market is examined from the perspective of the efficient market hypothesis. The historical returns achieved by some portfolios of stamps are calculated and comparisons are made with other investments. Estimates are made of the risks associated with stamp returns, and the historical downside risk in the market measured. Finally, the degree of correlation between stamp portfolio returns and stock market returns is estimated.

Introduction

One of the cardinal principles of modern portfolio theory is that rational investors are presumed to be well diversified. Provided the returns on the assets which they hold are less than perfectly positively correlated, the risk of their portfolio will, as a consequence of the diversification, be lower than a simple weighted average of the risks of its components.

Investors should, therefore, be continuously on the lookout for new investment vehicles, the returns of which are not strongly correlated with the returns of the assets in their existing portfolios.

The study of Cuneen and Barnes (1975) provides such an example. They set out to measure the risk/return characteristics of the international art market, with a view to assessing its potential as an investment medium. A significant aspect of their findings was that diversified portfolios of art works from the major schools of painting showed very low correlations of returns with returns obtainable on The London Stock Exchange. This highlighted the art market as an avenue for further diversifying more traditional portfolios in order to improve their risk/return characteristics.

The purpose of the present study is to examine the investment characteristics of the international stamp market with a view to obtaining information on its potential as a source of additional portfolio diversification.

The stamp market, like any other commodity market, is governed by the laws of supply and demand. When seeking to identify those stamps which may provide a suitable investment vehicle, attention must necessarily be paid to both the quantity of stamps of the particular issue originally printed as well as the demand for that particular issue.

Discussions with stamp dealers, brokers and auctioneers were held with a view to defining which stamps may be considered suitable as investment vehicles. The general consensus of opinion was that such stamps would generally be of pre-1940 vintage, although some opinions were expressed that only somewhat older stamps, say pre-1920, were acceptable. The more recent issues, because of the huge volumes printed, were looked upon as being more speculative (for example, in post-1930 US commemorative issues, as many as 100 to

150 million stamps have regularly been produced). According to Stanley Gibbons, one of the most respected stamp dealing organisations in the world (Narbeth and Lyon, 1975), wise investors would limit their holdings to "classic" stamps, especially imperforate issues, issued before 1900.

Unlike certain other hard assets such as precious metals and diamonds, the supply of a particular stamp is fixed at the time that the issue is withdrawn by the postal authorities.

The investment value of any stamp is supported by the collectors' demand, hence all investors are reliant on stamp collectors for their investment growth. A strong local demand for the stamps of a specific country is one of the most important factors to be taken into consideration when assessing whether a stamp has potential investment possibilities (Lloyd, 1977; Wagenheim, 1976 and Narbeth and Lyon, 1975).

The fact that stamps do not appear to be a common form of investment may be the result of the difficulties associated with obtaining information about stamps, determining a value for a particular stamp and assessing the riskiness of the proposed investment.

Risk is a key parameter in the evaluation of the merits of an investment, yet according to Wagenheim (1976), discussion in the literature on the risks of stamp investment is limited to such items as portability, lack of glitter, excellent past history, etc. An example of how the subject of risk is broached in the field of stamp investing is a statement made by Lloyd in his book "Stamp Investing for Profit" (1977):

"It is much to the advantage of almost everyone to enter the field of stamp investing not only because of the high gains and low risk, but because it is not an inflated or controllable market."

This study looks at how stamps are priced in the marketplace. The problems associated with defining the quality of a stamp and hence its value are discussed. The nature of the stamp market is examined from the perspective of the efficient market hypothesis. The historical returns obtained in the stamp market are characterised and comparisons are made with other investment avenues. The risks historically associated with stamp returns are characterised, and the downside risk identified. Finally, the degree of correlation between stamp returns and stock market returns is measured.

The pricing of stamps

Unlike hard assets such as gold, and financial assets such as equities, no readily ascertainable market price is available for stamps. A major factor precluding the easy availability of such prices is that the price of a stamp, in common with hard assets such as ceramics and Persian carpets, is critically dependent upon its quality. The assessment of stamp quality is very subjective. Since the value of a stamp is so closely linked to its appearance and condition, wise investment in stamps requires accurate assessment of stamp quality through a

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If the catalogue value has trebled in the past ten years, it is most likely that the market value has also trebled (Wagenheim, 1976).

Since the price of a stamp may vary from catalogue to catalogue, the most reliable guide to market prices are realised auction prices (Boland, 1980). Hence subscriptions to several auction catalogues will be a vital part of any stamp investor's library. These catalogues display a good description, often accompanied by a photograph of the item and the prices estimated before the auction. This is usually followed by a list of prices realised.

An additional and important consideration is to ascertain how many items on an auction are unsold due to reserve prices being too high. It is also possible to assess whether the market is being under-estimated by studying the suggested prices to see if they are far below the realised prices.

In addition to realised auction prices, it is useful for the investor to consult "want lists" which many dealers publish. They reflect prices dealers are prepared to pay for material they require. Assuming the condition is fine, this will also provide the investor with a realistic guide as to what the approximate realisable cash value of his holdings are.

The efficiency of the stamp market

In order for market prices to reflect fairly the value of a commodity, it is necessary for there to be a high degree of efficiency in the market (Hagin, 1979).

A perfectly efficient market can be defined as one in which:

- (i) Information is distributed immediately and freely, and that everybody has equal access to the information.
- (ii) The price of the commodity or stock reacts immediately to any news which could influence its price.
- (iii) All investors are rational and have similar objectives.
- (iv) There are numerous participants in the market-place who are all in active competition with each other.

The level of efficiency of a market is of importance to investors, for in perfectly efficient markets, prices reflect true value and returns to investors will reflect the underlying risk of the investment, whereas in inefficient markets, the opportunity for excess reward relative to risk is available since mispricing of investments may occur.

In the stamp market, information is not distributed immediately via telex/telegraph or financial services, although theoretically an auction price is readily available the moment there is a successful bid on any stamp of importance.

Since catalogues of auctions are available long before the auction takes place, investors can pinpoint items of interest and ensure that they obtain the auction prices after the event.

In the stamp market, the volumes are too low to undertake rigorous statistical studies. Unlike the stock exchange, where daily trading on the major exchanges is measured in hundreds of thousands of shares, the total extant number of a specific stamp, may be less than a hundred thousand. Trading in a particular stamp may only occur a handful of times a year, making it difficult to determine whether the price reflected the market equilibrium price for the stamp, or whether there was one

collector who desired that stamp so desperately that he was willing to acquire it at any cost, irrespective of the "true" market value.

Despite this, it is claimed (Wagenheim, 1976) that since most stamp transactions are public, and no-one has access to inside information as is the case on the stock market, investors who are prepared to do their homework and follow the philatelic press and auction sales, "can be as well informed as many dealers".

Catalogues can have an influence on stamp market prices. An insider can discover the new catalogue prices before they are made public and take advantage of this by buying at the old prices and reselling after the new catalogue has been published. If the price increase is significant, substantial profits can be made in the short term.

When stamps are described in an auction catalogue, subjective grading can occasionally lead to an over-emphasis of their good or an under-emphasis of their poor qualities. Therefore, a postal bidder who does not personally examine a stamp, has the additional risk of over-estimating the value of an incorrectly or poorly described stamp.

Finally, the possibility that auctions can be rigged should not be ignored.

The price of a stamp does not react immediately to any news, such as happens in the equity market when, for example, a company announces poor financial results. This is primarily due to the fact that most stamps of importance which could be affected by such information, are auctioned at irregularly spaced intervals.

Barring any dumping on the market of a newly re-discovered quantity of a particular stamp, there is little else that can drastically affect the price of a stamp, except demand. The only way to test if any news, such as a coup which renames a country, will affect the price of a stamp, would be to see if, at the next auction, the demand for the stamp has changed.

There are approximately 50 to 100 million stamp collectors of whom two to five per cent may be considered to be investors (Profit in Philately, 1979). If the two per cent and the lower value of 50 million collectors is taken, this implies a potential one million investors worldwide in the stamp market. However, they are scattered all over the world, and many will obviously specialise to a large degree, so that at any given auction, relatively few people will be involved in the price setting mechanism.

Finally, trading expenses in the stamp market are significantly higher than in the stock market. They generally range from five to 25 per cent depending on where and how the investor trades (Lloyd, 1977). Thus, viewed from the perspective of the world's major equity markets, the stamp market can hardly be said to be efficient. Less than completely freely available information, low trading volumes, high transaction and information costs and the non-standardised nature of the commodity all point to a relatively inefficient market and thus to a potentially profitable situation for knowledgeable investors.

In order to obtain a profile of the local purchasers of good quality stamps, a survey was carried out towards the end of 1984 at three Johannesburg auctions held under the auspices of well-known and respected auction houses.

Since bidders come and go during the course of an auction, it is difficult to ensure that every attendee is in possession of a questionnaire. The record keepers of the auctions were, therefore, requested to pass out question-

naires to people as they arrived to register so as to avoid any disruption of the proceedings.

A total of 124 people attended the auctions. Seventy-one received questionnaires. (It should be noted that many people attended more than one auction. They were asked if they had previously received a questionnaire before being given another.) Fifty completed forms (70%) were obtained.

An analysis of the replies showed that only 22% of respondents "always" attended auctions, whereas over 50% were attracted by specific items on offer at particular auctions. Amongst the dealers surveyed (a quarter of the total number of respondents) over half attended regularly. Ninety-six per cent of the dealers said they were also stamp collectors.

Fifty-six per cent of respondents replied that they were investors, yet only one-third of this group claimed to ever sell any of their stamps. This highlights the importance of hoarders in the stamp market.

Nearly 70% of all respondents also invest in other investment avenues, the stock market being the most frequently mentioned. Two-thirds reported spending between R1 000 and R10 000 in the past year on stamps.

The results of the survey therefore indicate that private individuals make up the bulk of attendees at auctions. Despite the claim of being investors, many individuals hoard their purchases which effectively disappear from the market-place. Most respondents undertook at least some measure of diversification into other investment avenues. The attraction of specific items to many participants may be reflecting the wide range of investment opportunities in the stamp market and the need to specialise in order to acquire sufficient expertise in an area.

Stamp investment performance

Modern financial theory postulates that investors are only rewarded for bearing systematic (or non-diversifiable) risk, and thus rational investors will hold well-diversified portfolios.

In order to obtain an estimate of the returns which have been achieved by investment in stamps a number of stamp portfolios were constructed. The use of portfolios rather than individual stamps should result in at least some of the unique factors associated with the assessment of value of each stamp being diversified away. The resultant portfolio returns may, therefore, more accurately measure the overall trends in the market (Crumbley and Crumbley, 1981).

As has been discussed above, the prices of stamps will vary considerably according to their condition. The lack of a widely used uniform system of grading results in major difficulties when attempting to compare realised market prices of stamps through auction catalogues.

In addition, since catalogues contain only a description of the stamps available, often without photographs, there is no guarantee that stamps of the same condition will be compared.

When comparing catalogues from different countries the problem of foreign exchange fluctuations is introduced. This would have to be accounted for in the comparisons which is an enormous task in itself. Hence, a better way of comparing historical prices is through one set of standardised references or catalogues, using one currency and one consistent condition. For the purpose of this study, the Stanley Gibbons Catalogues have been used. Price quotations are in British pounds Sterling, based on

a stamp in fine condition. There may well be differences between realised prices and quoted catalogue prices, but it is assumed that these will differ by a constant factor.

Most catalogues, including Stanley Gibbons' require a long lead time between compilation and actual publication. Thus, the time between updating and publication could be anywhere from six to twelve months. The question arises as to whether there is an expectancy built into the published prices at the time of updating. If the market is read incorrectly, this would only be corrected in the following year's edition. Since this time lapse is significant, 30 June was selected as the reference date for the prices in the following year's catalogue, (eg the 1985 catalogue was available in mid-1984, and its prices are assumed to be those ruling as at 30 June 1984).

Since catalogues are generally available on an annual basis, portfolio returns were measured annually. The stamps being included in the portfolios selected should, therefore, be ones which are regularly traded.

A random selection of stamps from a catalogue was unlikely to fulfil the above criterion, and so it was decided to approach various stamp experts to select the stamp portfolios. Certain limitations were imposed on them.

- (i) The portfolio chosen should have a present market value of between R75 000 and R100 000, (based on one British pound equal to two rand).
- (ii) The stamps selected should be regularly traded at auctions worldwide. No stamps were to be chosen which were known to be unavailable or of which there were only a few in existence.
- (iii) Each portfolio should consist of a minimum of 15 stamps.
- (iv) The portfolio should include an "international" selection, and should not be selected only for marketability in South Africa.
- (v) Recent stamps chosen for speculative purposes were not to be included. Stamps selected should have a relatively long history of at least twenty-five years.

Using these criteria, however, there still remained several inherent problems which appeared to be unavoidable.

- (i) The experts' choice of stamps would of necessity be biased by their experience of the past history of various stamps, their personal preferences, and their areas of special knowledge and competence.
- (ii) It was necessary to limit the portfolios to stamps for which an adequate price history was available.
- (iii) There was no simple method of confirming the marketability of the stamps chosen.

To act as a check upon the two dealer portfolios (hereafter called portfolios A and B) the returns for three other portfolios were examined. Portfolio C was one recommended by the Stanley Gibbons company in Johannesburg. Portfolio D was published in an article entitled "Stamps: Almost Time to Get Stuck In" in the Investors Chronicle (1983). Portfolio E was published in an article entitled "Why Invest Trust Funds in Collectible Stamps" (Kadavy, 1980).

The returns to investors holding the portfolios were calculated for varying time periods from five to 31 years. Since many examples of stamp portfolio growth quoted in the philatelic literature are simple average returns (Ahrens, 1978) the returns of portfolios A and B are also quoted in this fashion. However, the correct methodo-

logy is the use of compounded annual rates of return (Stevenson and Jennings, 1984), and these have been

calculated for all five portfolios. The results are given in Table 1.

Table 1

	Simple average returns					
	31 years	24 years	20 years	15 years	10 years	5 years
Portfolio A	14,8%	18,1%	19,4%	19,6%	27,3%	11,3%
Portfolio B	15,9%	20,2%	23,6%	23,0%	29,9%	4,7%

	Compounded rates of return					
	31 years	24 years	20 years	15 years	10 years	5 years
Portfolio A	13,3%	16,3%	17,3%	17,0%	24,2%	7,9%
Portfolio B	13,6%	17,5%	20,7%	19,6%	25,3%	1,5%
Portfolio C	14,5%	15,6%*	16,7%	17,8%	21,2%*	4,3%
Portfolio D	13,0%	16,5%	19,3%	17,5%	23,3%	0,2%
Portfolio E			17,1%		19,4%	17,5%

All returns are calculated from a point in time to June 1984.

Examination of Table 1 reveals that the portfolios all exhibited strong growth up to the past five years. However, to place these growth rates in perspective, they should be viewed against the corresponding growth rate

of other investment media and the inflation rate. Salomon Brothers (1984) provide an annual survey of the historical returns of a broad array of tangible assets. Table 2 reproduces the returns published in their latest survey.

Table 2

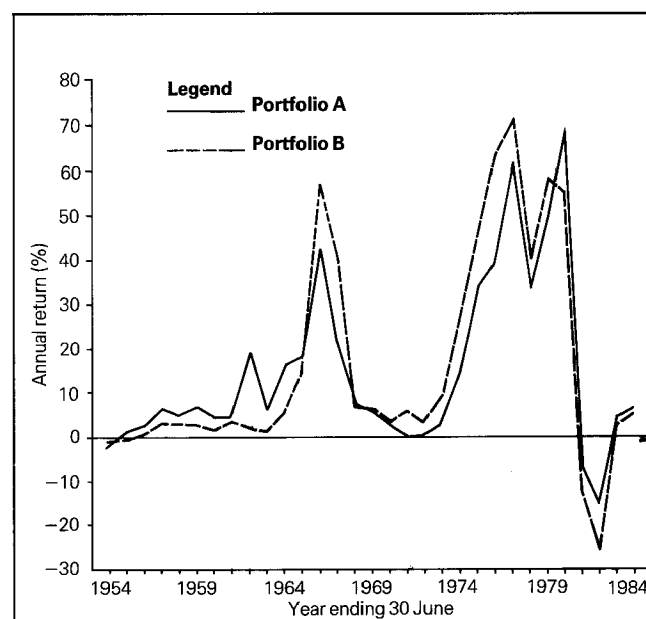
	15 years	10 years	5 years
Gold	16,3%	9,5%	7,4%
Silver	11,7%	7,2%	2,4%
CPI (RSA)	10,7%	12,2%	12,5%
CPI (USA)	7,2%	7,9%	7,9%
CPI (UK)	11,4%	12,4%	9,3%
Oil	20,4%	10,1%	14,8%
Coins	17,3%	21,4%	11,3%
Chinese ceramics	13,7%	5,9%	15,7%
US stamps	16,1%	17,1%	9,8%
Diamonds	10,4%	9,8%	6,1%
Old masters	8,5%	9,1%	1,5%
Bonds (USA)	5,7%	6,3%	4,6%
Stocks (USA)	5,3%	9,0%	13,5%
Foreign exchange	3,0%	0,9%	-4,9%

Over the long term, stamps have significantly outperformed the CPI of most countries, as well as having performed admirably against most other hard asset investments. For many years the brokers Salomon Brothers of New York have rated investment grade stamps as one of the top investments for continued and sustained growth (Kagin, Perschke and Stone, 1981).

If the time series of annual returns of portfolios A and B are examined (Figure 1), it will be seen that two major cycles can be identified – one in the period 1962 through 1968 and the second spanning most of the past decade. The reaction to the latter upswing was far more severe than was the case in the sixties, and the portfolio returns dropped below zero for the first time in over 30 years.

The graphs provide some evidence of increasing volatility of returns in recent years, a trend which is common to many investment media. The rise in world inflation during the 1970s prompted a search for investments which would yield a positive real return to investors. According to Narbeth and Lyon (1975), stamp investment services for non-stamp collectors first became available in February 1973. It was thus possible for investors who had no knowledge of the stamp market to put some of their capital into stamps using the advice of brokers or consultants who provided such services.

Figure 1: Stamp portfolio returns



It was not long after this that the general level of stamp prices rose dramatically. A study was carried out by the Pittsburgh Consulting Group who found that investors began to significantly influence the market in the mid-1970s (Salzberg, 1984; The American Philatelist, 1983).

This probably fuelled the dramatic rise in stamp values, and the poor portfolio returns in the 1980s may well be a reaction to that sudden increase in investment demand.

Returns are an insufficient yardstick by which to judge the merits of an investment. Modern financial theory requires that the return be judged with respect to the degree of risk which the investment will add to an already well-diversified portfolio.

It is therefore necessary now to turn attention to the estimation of risk in the stamp market.

Risks in stamp investment

Risk may be defined as the possibility that the actual returns will deviate from the expected returns (Van Horne, 1983).

The measure of risk which is most commonly used is the standard deviation of historical returns. The table below shows the standard deviation of annual returns for stamp portfolios A and B over varying periods in the past.

Table 3

	Standard deviations of portfolio returns					
	31 years	24 years	20 years	15 years	10 years	5 years
Portfolio A	20,0%	21,7%	23,5%	26,2%	29,2%	33,6%
Portfolio B	24,5%	26,5%	27,8%	29,9%	34,5%	30,4%

Although the standard deviation is a good surrogate for risk in a symmetrical distribution since it gives equal weight to observations above and below the mean, it can be argued that risk-averse investors are in fact more concerned with downside risk. Thus, in cases where the distribution of returns is not symmetric, the standard

deviation may be an inadequate measure of perceived risk.

The degree of skewness in the 31, 24 and 20-year return distributions for portfolios A and B was measured. The results are shown in Table 4.

Table 4

Portfolio	Median (%)	Stamp portfolio skewness		SK
		Mean (%)	Standard deviation (%)	
A 31 years	9,8	14,8	20,0	0,76
A 24 years	12,3	18,1	21,7	0,81
A 20 years	12,3	19,4	23,5	0,92
B 31 years	3,7	15,9	24,5	1,50
B 24 years	6,5	20,2	26,5	1,55
B 20 years	17,2	23,6	27,8	0,70

The values obtained for the skewness coefficient (SK) indicate that the return distributions are moderately skewed. A statistic which relates to downside risk only is the semivariance (SEMIVAR) (Copeland and Weston, 1983). In the calculation of semivariance, only observations which lie below the mean, are in effect taken into account. Thus, if we define X_i^- as being equal to $X_i - E(X)$ where $X_i < E(X)$ and X_i^- is zero where $X_i \geq E(X)$, then the semi-variance will be $E\{(X_i^-)^2\}$.

Atrash (1982) used a form of semivariance in order to evaluate the downside risk of a number of risky assets. He defined his measure, as: $E\{\bar{X} - X_i | X_i \leq \bar{X}\}$ and divided it by \bar{X} in order to standardise the measure.

The degree of downside risk (Rd) of portfolios A and B was calculated using the 31-year data set. The results, together with those of Atrash, are shown in Table 5. (Atrash used 40 monthly returns over the period January 1978 to April 1981 in his calculations).

Table 5

Type of asset	Standard deviation	Risk of assets	
		SK	Rd
Real estate shares	7,28	-0,16	3,67
Industrial shares	4,65	-1,01	2,57
Gold shares	8,23	-0,60	2,31
All shares	5,44	-0,33	2,08
Gold price (rands)	10,39	0,35	1,85
Proof Krugerrands	19,70	0,71	1,71
Portfolio A	20,00	0,76	0,81
Portfolio B	24,50	1,50	0,89
CPI (RSA)	0,68	0,88	0,37

Despite the differences in time over which the stamp data were calculated, the stamp portfolio showed much lower measures of downside risk than The Johannesburg Stock Exchange share groupings, gold or proof Krugerrands. Yet the stamp portfolio returns showed much higher standard deviations of returns.

This apparent anomaly can be resolved by reference to Figure 1. The positive skewness of returns can be easily identified. The large returns around 1966 and 1978 contribute markedly to the overall standard deviation, but have no impact on the measure of downside risk.

An important aspect of the risk of an investment is the additional risk which the investment brings to an already well-diversified portfolio. This is the non-diversifiable component of risk and is represented by the beta coefficient of the Capital Asset Pricing Model. The lower the correlation between the returns of the asset being added to the portfolio and the returns of the portfolio, the more advantageous would be the addition of that asset to the portfolio, since the lower the correlation the less systematic risk is being added to the portfolio (Cunneen and Barnes, 1975). In order to assess the impact of adding stamps to an already well-diversified equity portfolio, the returns of stamp portfolios A and B were correlated with stock exchange index returns.

For the stamp portfolio, the quotations in Stanley Gibbons' catalogues were selected as a price barometer. Due to the fact that the Stanley Gibbons quotes in pounds Sterling it was decided that the portfolio returns would be regressed against the market returns using the Financial Times Industrial Index (FT 30) of The London Stock Exchange as the market surrogate. The stamp portfolios were also regressed against an annualised index for all the industrial shares of the LSE. The results are shown in Table 6.

Table 6

Portfolio A correlated against stock market indices	
Index	Correlation coefficient
FT 30	0,005
All shares	0,001

The correlation coefficients were found to be indistinguishable from zero. Because of the low correlation coefficients, it was not possible to calculate beta coefficients for the stamp portfolios relative to the equity market.

From the perspective of an already well-diversified equity investor, it therefore appears that the addition of a stamp portfolio adds no further systematic risk to his portfolio – yet stamp portfolios have provided positive returns over most of the past 31 years. This indicates that equity investors would be rewarded in the form of higher returns, adjusted for risk, by the addition of a portfolio of stamps to their equity portfolios, than they would be able to obtain by using an all share strategy.

Conclusion

This study has indicated the investment potential of postage stamps. Apart from the potentially good returns available, the attractiveness of stamp investment is also related to the following factors:

- (i) Ease of transportability and storage.
- (ii) International pricing and acceptability.
- (iii) Increasing demand coupled with constant or decreasing supply.
- (iv) Stamps provide investors with capital gains but no dividend or interest income, so taxation is lower.

However, investors must have the time and patience to acquire knowledge and understanding of the market especially since the market is relatively inefficient in respect of information availability.

Because of the high transaction costs, an investor may do better investing on his own provided he has the required knowledge about stamps. Reputable investment brokers or stamp dealers do offer reasonable alternatives for the unknowledgeable investor.

Since modern stamps have often been issued in great quantity, and have relatively short track records, they should best be considered as speculative investment.

Apart from the last five years, the performance of selected stamp portfolios over 31 years was found to be consistently high. Compound rates of return of the order of 15% to 20% were commonly obtained. These returns compare favourably with the returns on other hard assets, shares and the inflation rate.

Returns themselves are not adequate measures of investment performance, and the associated risks must also be considered. The return distributions were shown to be moderately positively skewed and thus a measure of downside dispersion was calculated as a risk surrogate. The stamp portfolio measures showed lower downside risk than equities, gold or proof Krugerrands.

Correlating stamp portfolio returns with stock exchange index returns indicated a low degree of association. Stamps should therefore be an excellent addition to a diversified share portfolio.

This study is in essence only an exploratory one, and further work is necessary in order to confirm these findings. In particular, more portfolios need to be studied, an attempt should be made to create a stamp index and the relative volatility of specific stamps as compared to the index characterised.

With the coming of the Intelpost, an electronic postal system, the days of postage stamps may be numbered (Electronic Post, 1979). A scenario proposed by Watson (1981) and other members of the Universal Postal Union, is the "international stamp", where all countries will use the same stamps which will be universally accepted as postage.

Other threats to postage stamps include the increasing use of meter franks and postage meter machines. These reduce the usage of stamps, and perhaps someday all stamp collectors will be collecting "old classics". The future outlook, therefore, is one of a limited supply with stamps gradually being replaced by substitutes which may not have any investment value. The long-term potential of the postage stamp investment seems good.

In conclusion one can enumerate a few basic rules of stamp investing which the investor should keep in mind (Fischer, 1985).

- (i) Specialise and become an expert in a certain field/topic.
- (ii) Invest in classic and investment grade stamps only.
- (iii) Purchase very fine or extra fine copies and be prepared to pay a premium for them.
- (iv) Mint stamps increase in value faster than used ones.
- (v) Patronise auction houses.

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