## Collect

JAMES COCKINGTON

# Coin values soar

Times may be tough but you wouldn't know it at the top end of the investment coin market. Earlier this year, Belinda Downie of Coinworks sold a 1930 penny for an amount she will only say was above the $1.5 million mark. Whatever it was, it was a record. The current market valuation is $1.65 million.

This, of course, is no ordinary coin.

Apart from having the magical 1930 date, it is one of only six proof pennies minted that year.

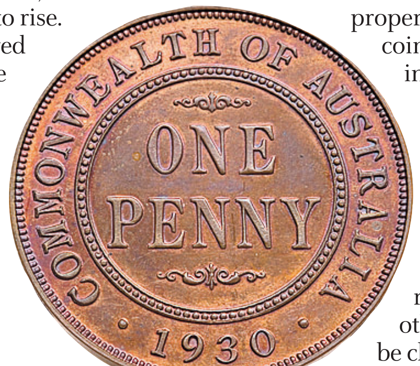
Three of these ended up in private hands. The one sold by Downie is identified as the Hagley proof.

"These proof pennies were never intended for circulation but instead created as museum pieces," Downie says. "It's a totally separate process. These are produced in an artistic environment from hand-selected blanks."

She certainly views such coins as works of art. They were struck twice, which gives the edge a frame-like quality. She talks about the glow and colour in almost mystical terms.

The buyer was perhaps more interested in its investment value. His identity also remains a secret, although Downie describes him as an investor rather than a collector.

He has seen the coin and admired it but it is now locked in a safe and may remain there untouched for 10 or 20 years, while its value continues to rise. The Hagley proof penny last sold in 1997 for $147,500. A second 1930 proof penny sold in 1999 for $258,000, then in 2005 for $625,000 and again in 2009 for $800,000. Their value continues to rise.




When she first offered the Hagley coin for sale last year, Downie received three or four serious offers. The market for rare coins of this standard remains buoyant because demand will always be greater than supply.

Late last year, Coinworks set another record for the sale of a 1920 kookaburra square halfpenny, long considered one of Australia's greatest numismatic rarities. Only three are recorded.

This coin sold for $725,000.

Again, it comes with an impressive sales history. It sold in 1986 for $19,000, then in 2007 for $400,000.

Downie is also selling the impressive Madrid Collection in stages on behalf of a prominent but anonymous vendor. The total value of the collection is $12 million. Items to the value of $2 million have already been snapped up. More will be added to the Coinworks website every few months.

The buyers of rare coins tend to be wealthy businesspeople who are looking for a relatively safe, long-term investment. The returns are similar – if not better – than beachfront properties. In some cases, the coins are bought as inheritances for children.

Financial advisers can now suggest that rare coins, banknotes and stamps be included in investment portfolios. The Cooper Review recommended these and other collectables should be classified as legitimate assets in self-managed superannuation funds and the government agreed.

As a specialist in this area, Downie says she is often approached by clients with a certain value in mind and asked to recommend a coin that represents a solid investment over 10 or more years.

It could be one she picked up herself 15 years ago, such as the 1947 Perth Mint proof penny she bought for $6000 at a 1996 auction.

She remembers that this small amount – by today's standards – raised eyebrows among fellow dealers at the time.

After sitting in her safety box ever since, she decided that now was the best time to set it free. Its current value is $65,000.

## $65,000

This 1947 Perth Mint proof penny has recently been sold after sitting in a safe for 15 years. It sold in 1996 for $6000.


## $140,000

This Type 6 square penny is more common than the similar halfpenny but is still a valuable investment coin. This one sold for $650 in 1997.


## $725,000

At the top end of the numismatic market are coins such as the 1920 kookaburra square halfpenny. It sold late last year to a Sydney investor.


## Super & funds

JOHN COLLETT

# Ratings under fire

The international regulatory community is paying close attention to credit-rating agencies after their role in giving some of the highest ratings to investments that failed during the global financial crisis.

The big problem is that most agencies charge the recipient of the rating for the mark.

That has important implications. Firstly, the financial institution has to have a pretty good idea that the product is going to get a good rating before it pays for the rating.

Secondly, once the product is rated, the agency risks forgoing revenue if it gives the product a poor mark as the institution is likely to withdraw the product from being rated.

Collateralised Debt Obligations (CDOs) were sold in Australia to local councils, churches and charities just before the GFC – investments that were highly rated by ratings agencies. These are investments that became known as "toxic debt" after they blew up during the GFC.

The dispute over who is liable for what is before the courts. There have been moves internationally, led by the US, to have ratings agencies manage their conflicts of interest and make them more responsible for their assessments.

Last week, the Australian Securities and Investments Commission released an industry consultation paper to ensure that agencies comply with the new international standards on "quality and integrity of their ratings process, conflicts of interest management and transparency and timeliness of ratings disclosure".

That's good but for small investors it is the role of the research houses that can potentially cause more damage to their wealth than credit agencies.

Often they will invest in a financial product on the basis of a report from a research house, which can have the same sorts of conflicts of interests as the ratings agencies.

Financial advisers too, will make recommendations on the basis of a research report.

The way that the research houses earn their keep varies but most are paid by the fund managers for rating their managed funds. Fund managers sometimes shop around for a researcher who is likely to give the best rating. The regulator has not made any proposals concerning disclosure by research houses.

However, it says it is reviewing regulatory issues in the research industry and plans to report on these issues at a later date.

Consumer protection is mostly about disclosure of conflicts of interest and its management. For too long, research houses have been allowed to operate below the standards that are being applied to the other sectors of the financial services industry.