Quirky investments James Cockington

Valuable hole in your pocket

This year marks the 200th anniversary of Australia's first coin, the holey dollar.

In 1813, Governor Lachlan Macquarie purchased 40,000 Spanish silver dollars, then being minted in exotic locations such as Peru and Mexico. He converted these to Australian currency by punching holes in the middle and stamping New South Wales, Five Shillings and 1813 around the inner ring. Today we might call this an infringement of copyright, back then it was considered a stroke of genius.

Last month, a Western Australian collector paid a world-record price of $495,000 for one of these rarities, sold through Coinworks in Melbourne. Holey dollars have been selling close to this price for the past few years.

Coinworks managing director Belinda Downie has sold 10 in the past 18 months for a total of $3.46 million. She also sold the holey dollar that set the previous record of $485,000 in 2011. While last month's record-breaker was bought by a coin enthusiast, others have been bought by investors.

Coins can be included as part of a self-managed super fund, provided they are kept in a safe and insured under the name of the fund. Downie arranges this service for those who choose this option. In theory, buyers need never see their investment.

Downie describes last month's buyer as an average bloke, not some high-flying entrepreneur. She suggests he might have raised the capital through, for example, selling a house, then deciding a rare silver coin was a better investment than anything the financial sector could offer.

There's also an emotional value. She notes that even over the phone, the buyer's sense of pride was evident.

A holey dollar is the holy grail for many collectors, although 1930 proof pennies are more valuable.

Now is a good time to sell. The vendors of five of those 10 holey dollars were in their 80s and, in one case, his 90s. They were selling as part of their retirement and one had bought his coin in 1969.

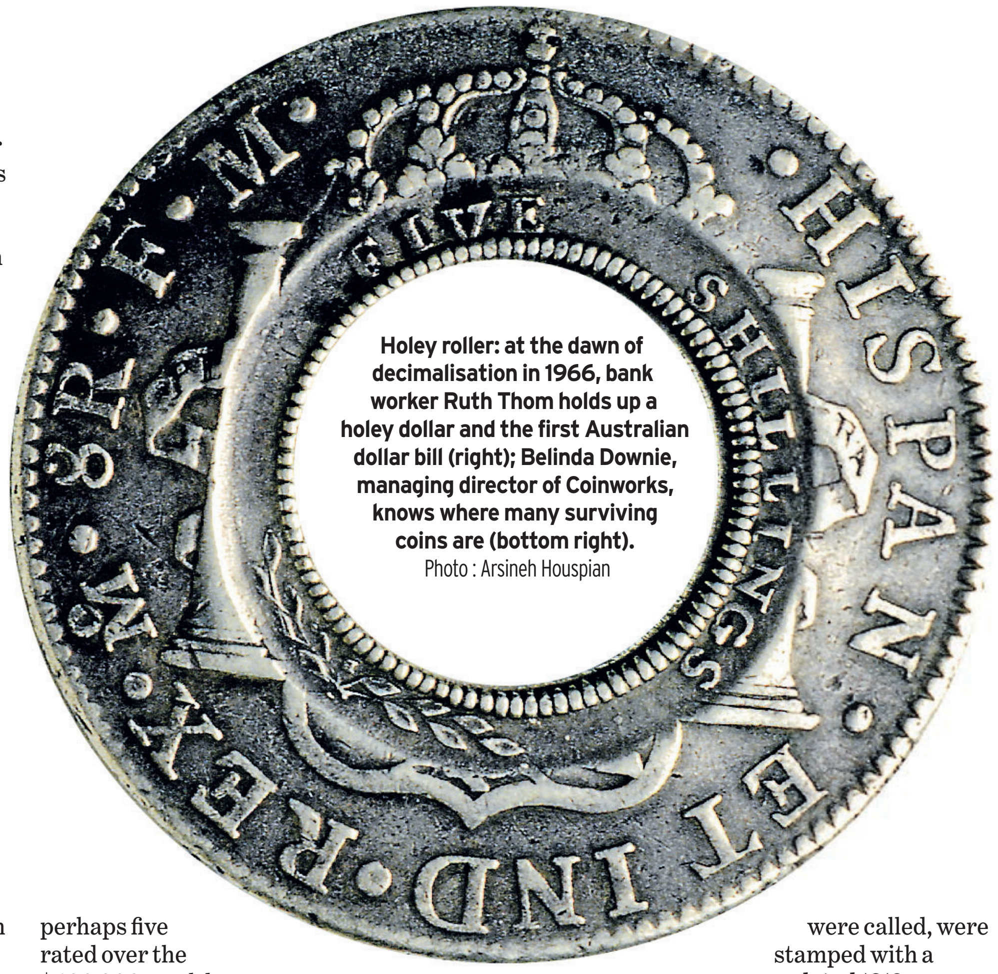
About 300 holey dollars have survived, with about 200 in private hands. Condition is the biggest factor to value. There are perhaps five rated over the $400,000 mark but even second-tier coins are worth about $300,000.

One of the most notable is known as the Hannibal Head, a reference to the unflattering portrait of Joseph Bonaparte on the original coin. This one sold at Coinworks' Eminent Colonials Auction in August 2012. It is one of three to have broken the magic $400,000 barrier in the past 18 months. The investment potential is demonstrated by the previous public appearance of the Hannibal Head at a 1988 Spink auction. Then it had a $45,000 pre-sale estimate but was passed in. Downie has since heard it sold privately after the auction for $40,500.

In the next 34 years an extra zero was added to its value.

The inner discs of the holey dollars were also used as currency. The dumps, as they were called, were stamped with a crown, dated 1813, and given a value of 15 pence. These don't have the status of the holey dollar but can sell for up to $250,000. They are a less-certain investment, although that may change over time.

It is well-known that the Macquarie Bank uses a stylised version of the holey dollar as its corporate logo, and this year the bank will celebrate the anniversary with an exhibition of holey dollars in Sydney. They have a few in their archives but will have to ask Downie to source ones of the highest value. She says all the finest examples are held by private investors. Only she knows where they are.



Holey roller: at the dawn of decimalisation in 1966, bank worker Ruth Thom holds up a holey dollar and the first Australian dollar bill (right); Belinda Downie, managing director of Coinworks, knows where many surviving coins are (bottom right).
Photo : Arsineh Houspian

Super John Collett

Exposure to shares has an upside

Those superannuation fund members who are in lower-risk investment options have missed the early part of what could be a longer rally in shares.

Some people switched to their fund's cash or other low-risk investment options during the worst of the global financial crisis. But most remained with their fund's "balanced" option, which has about half the money invested in shares and the rest in fixed interest, property and cash.

Having such a high exposure to shares makes for volatile returns. That is not a problem for those with retirement some way off, who can ride out the ups and downs. But those close to retirement will have only just recovered the account balances they had at the start of the financial crisis.

The high exposure to shares works both ways. The rally in global sharemarkets that started in the middle of last year is responsible for the best superannuation performances for five years. SuperRatings data shows the typical balanced option returned 12.4 per cent for the year to February 28.

Balanced options are on track to record the strongest performance of a financial year since at least 2007, when the typical balanced option returned 15.7 per cent. Since July 1 last year to February 28 this year, the typical balanced option has returned 12.6 per cent, with another three months left before the end of the financial year. But March was a bad month for sharemarkets because of the problems in Cyprus. When the performance data is in for March, it will likely show the end to nine straight months of positive returns.

However, market watchers are expecting the rally on sharemarkets to continue. It seems investors are convinced the world's central banks will do whatever it takes to supply liquidity and keep the wheels of their economies turning. But the risk is that the rally is built on short to medium-term fixes, rather than a true restoration of the global economy's health.

While the Reserve Bank last week left interest rates at 3 per cent, it indicated it was in no hurry to raise the rates. Interest rates on term deposits are about 4.5 per cent. Dividend yields on Telstra and the big banks are about 7 per cent or 8 per cent, after franking credits. That means investors will likely continue to chase higher-yielding shares. As these are among the biggest companies by market capitalisation, they drive the overall market. For that reason, the Australian sharemarket is likely to go higher – albeit with setbacks along the way – to the benefit of superannuation account balances.