

Rare Coin Trends and Market Report

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Do you know:

◆ *Out of 354 S&P 500 companies reporting pension data, 234 or 66% owed money to their companies retirement funds.*

◆ *The total amount of liabilities (funded and unfunded) for all private pension funds in the U.S. is \$4.3 trillion. That is nearly half the size of the entire U.S. economy.*

◆ *General Motors has \$26 billion in market value. Its debt of \$12.7 billion to its pension fund is the equivalent of 49% of the company's total value.*

Heritage Long Beach Sales Top \$6 Million



Nearly 2,900 lots of Colonial and U.S. coins and tokens were offered in the four sessions of the Signature sale held in Long Beach, CA. 91.1% of the coins were sold and that rate is expected to climb further as bidders competed for post-auction bargains posted on the companies web-site. "Key-date Morgan dollars brought exceptional results," Heritage President Greg Rohan said. One of the most surprising results was for a 1912-S Lincoln cent certified Mint State 65 Red by the Professional Coin Grading Service. The *Certified Coin Dealer Newsletter* suggests a price of \$1,300 but the coin sold for \$27,600. The highlight of the Heritage World Coin Auction Signature Sale was the unique Specimen 1888 Newfoundland 50-cent coin, Specimen 65 PCGS which realized \$29,900.

Listed are some of the highlights of the sale.

1652 Massachusetts Oak Tree sixpence NGC EF40	\$ 4,600
1776 Continental dollar, currency, pewter NGC MS62	\$28,175
1877 Indian Head cent PCGS PR66 Cameo	\$24,725
1860 Seated Liberty Half Dollar NGC PR67	\$16,100
1889-CC Morgan Dollar PCGS MS63	\$23,575
1892-S Morgan Dollar PCGS MS62	\$48,000
1893-S Morgan Dollar PCGS MS61	\$69,000
1921 Morgan Dollar NGC PR66	\$17,250
1887-S Liberty Gold \$20.00 PCGS MS64	\$23,575

\$1 million dollar reward for missing rarity

Quick, check your change! If you just happen to have a 1913 Liberty Head 5-cent coin, you can collect \$1 million from Bowers and Merena Galleries of Mandeville, LA. The 1913 Liberty Head 5-cent is one of the classic U.S. coin rarities and the subject of one of the greatest numismatic mysteries. Where is the missing specimen? It is one of 5 known to exist. Collectors first saw the 5 1913 5-cent coins when collector Samuel W. Brown exhibited them at the 1920 ANA convention. Three years later, Philadelphia dealer Augustus Wagner offered to sell the complete set of five.

Specimen No. 2, identified in collecting circles as the Reynolds specimen has not been seen for more than

half a century. The last person for whom there is evidence of having owned the missing genuine specimen was Dr. Conway A. Bolt who bought the coin in 1946 for \$2,450. Correspondence and word of mouth stories suggest Bolt traded or sold the coin to "Reynolds". Which Reynolds? For years researchers thought it was R.J. Reynolds, the tobacco millionaire. However, Reynolds family says there is no record or evidence that R.J. Reynolds ever owned the coin. Today, two of the coins reside in private collections, two are held in museums. And one's whereabouts is unknown. Who knows. Maybe it is floating around in someone's change. Good luck.

What's in a name? Coin basics for financial advisors.

In the financial markets there are names that are frequently used that are familiar to financial planners. They are not given a second thought but to the layperson they are a mystery. Keogh plans, SPDRs (spiders), 401Ks, 412i, COBRA, REITs, CRUTs, and QTIPs are some of the names that are bantered about with full understanding by financial professionals. The origin of these names can be determined and explained to the average client if full understanding is the goal of the advisor. The same is true when it comes to the rare coin industry. There are names for coins that to the professional numismatist a second nature but to the non-initiated are, like some of the financial terms previously listed, a mystery. Briefly, many factors can go into naming a coin: tradition, collector preference, logic, illogic, misconception and federal decree. Coinage names fall into six broad categories: coins named after the person depicted on them, coins named after the major design element depicted, coins named after the designer, coins named officially, coins named after the state honored on the coins and coins that simply have no name.

Coins Named After Design:

These are the most numerous in the category of coin names. However, not everyone agrees on the names in so cases. Liberty Seated coins are the same as the grammatically correct Seated Liberty coins. The Buffalo nickel is actually the Indian Head 5-cent and traditionally most coins are named after the obverse (heads) design not the reverse (tails) design. A list of coins named after the design follows.

Capped Bust coins, Capped Draped Bust coins, Classic head coins, Coronet (also called Liberty) head coins, Draped Bust coins, Flowing Hair coins, Liberty Cap coins, Seated Liberty coins, Standing Liberty quarters, Walking Liberty half dollars, Winged Liberty Head dime (commonly called Mercury dimes). All these previous coins depict a female Liberty Head. In addition there are Flying Eagle cents, Indian Head coins and Shield nickels.

Coins Named After Person Depicted:

The practice of calling a U.S. coin by the person depicted did not take place until the mid-20th century when the U.S. Mint struck the 1892 World's Columbian Exposition half dollar. This was the first coin that de-

icted a real person, Christopher Columbus. It was not until 1948 that every coin in production depicted a real person instead of an allegorical representative or design device. Nine US coins are generally named after the person it depicts: Lincoln cent, Jefferson nickel, Roosevelt dime, Washington quarter, Franklin half dollar, Kennedy half dollar, Eisenhower dollar, Susan B. Anthony dollar and Sacagawea dollar.

Coins Named After Designer:

A small number of coins are named after the men who designed them (No U.S. coin designed by a woman bears her name). Six coins bear their designers name. Christian Gobrecht—Gobrecht dollar, George T. Morgan—Morgan Dollar, Charles E. Barber—Barber dime, quarter and half dollar, Augustus Saint Gaudens—Saint Gaudens \$20 gold piece.

Coins Named Officially:

The United States Mint cannot strike any coin until Congress has passed legislation signed by the president into law as required by the Constitution. Typical coinage legislation regulates things as denomination, legends (the wordage on the coin as "In God We Trust"), design devices (what is depicted on the coin) and composition (copper, nickel, silver or gold). Rarely is the actual named addressed in legislation. A key exception was the Act of February 12, 1873 which authorized a Trade Dollar to be created for the export market. It was specifically named as a "trade dollar" and the name on the coin shows TRADE DOLLAR rather than DOLLAR. The other coins officially named are the Peace Dollar, American Eagle bullion coins and the Golden dollar (also called the Sacagawea dollar).

Coins Named After...Nothing:

Three coins bear no names and are simply referred to by their denominations. These are the 2 cent piece, the copper-nickel 3 cent coin (commonly called a 3cent nickel) and the silver 3-cent coin (commonly called a 3 cent silver)

Coins Named After States:

The new state quarters issued since 1999 are the source of the coins named after states. Most people refer to the coins as quarters and identify them with the state name, "Hey, I got one of the new quarters from Kentucky (or Ohio, Indiana, South Carolina, etc).

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“Hard Assets”...Really???



Burnett Marus, RFC

Perusing the June 2003 issue of Financial Advisor, I got a bit excited. There on page 109, headlines read “Hard Assets, Real Returns”. Zowiee! Finally, an article giving equal time to hard assets in a magazine dedicated to the equity markets. Funny, I thought, no one called me about the article, but what the heck, let’s read what’s written. Well folks, after the second sentence, I learned a new definition of “hard assets”...at least according to the writer of the article. The second sentence in the subject piece reads as follows:

“As its name suggests, the fund tries to profit from the fluctuation in prices of things you can see, touch and feel, such as natural gas, crude oil, metals, wheat and livestock”. (Emphasis is mine)

Wait a minute. See. Touch. Feel. Anyone out there touch or see any natural gas lately? I’ve felt it but after a few Roloids it went away. What an interesting mix of hard assets that the writer gives tangible properties. Livestock as a hard asset. Hmm. The closest I’ve come to picking up a cow is grabbing a burger at Wendy’s. O.K. let’s get to my point. I expected hard assets that have true tangible characteristics, i.e., they can be physically held, easily transported, stored, have 3 dimensions, are durable, manufactured or created. Things like gold and silver bullion, rare coins, stamps, art, antique rugs, jewelry, rare books, paperweights, antique firearms, gemstones...you know, hard assets.

Evidently, I must be really missing the point of hard assets. The writer continues her description.

“ But unlike most natural resource fund managers, who invest in stock of companies involved in the production of those commodities, Kevin Baum skips the equity middle-man by investing in commodity-linked derivative instruments whose prices fluctuate in line with changes in the value of their underlying “real asset”.”

Well, seems that we’re really getting further and further away from hard assets. The investment is in a fund that invests in derivative instruments that are based on the “real asset”. (Why the writer placed real asset in quotes is interesting.) The absolute correct phrase that would be the defining term for this article is “natural resource fund manager”. That is what this article is about...not “hard assets”. It is as much about hard assets as Hamas is about peace in the Middle East. The article is interesting, the concept is ...well, let’s continue with the word interesting but the headline is definitely wrong and misleading. Something like those tabloid headlines blaring “Inside, Pamela Anderson Topless!” and the actual photos showing her without a hat. O.K. bad example, but what other financial article are you going to read that even mentions Pamela Anderson? You’re welcome. Just doing what I can to help. The article clearly pointed out something amiss in the

industry. Real hard assets are not really understood by the financial planner of today. If it’s not a fund or an annuity...it simply doesn’t exist. Articles about gold are based on gold mutual funds or gold stocks. Gold bullion articles are considered by the media the realm of the “gold conspiracy guys” (Bill Murphy and the GATA gang) or “gold bugs” (James Dines). When was the last serious article about gold or real hard assets such as art, rare coins or any collectible in any mainstream (read equity based) magazine? In the *Investment News*, April 16, 2001. “Advisors overlook bulk of client wealth” is the most current such article. And it refers to such assets as *illiquid*.

Most of the broker dealer community also have no clue about hard assets...particularly rare coins. U.S. Tangible has been in business for over 25 years working with the financial services industry. We have longevity and experience in hard assets that far exceeds the majority of broker dealer firms and definitely exceeding that of the compliance officer du jour for many of these firms. One bright young compliance specialist proclaimed that in Wisconsin, his B-Ds home state, rare coins are a security! This was based on his personal determination. Evidently the differences between a NASD 3030 and NASD 3040 transaction was not familiar to him. The last time I checked, the NASD wasn’t doing any audits on coin dealers in Milwaukee.

Most broker dealers now focus on mutual funds and insurance products. Private placements are difficult to get approved. Mutual funds and annuities are easier to sell and the wholesalers have deep pockets to fund B-D conferences for their reps. This is not sour grapes. Just fact. Unfortunately, this leaves the client (remember the client) to fend for themselves when investment issues outside the mutual fund or insurance area become involved. In January I reported that UBS Paine Webber was bringing their Arts and Numismatic Division to the U.S. to work with their private banking clients. Wonder why? The very wealthy, buy things in addition to stocks and bonds and annuities. Things like rare coins, rare stamps, art, antique furniture, antique rugs, jewelry, paperweights, antique firearms...you know, hard assets.



Not A Hard Asset

Currently, the majority of financial planners are missing two opportunities. The acquisition stage of such assets for clients and the liquidation stage. Direct marketers and auction firms routinely bypass the financial planner. The financial planner believes he is dealing with “hard assets” using a natural resource fund or gold mutual funds or real estate (if you can physically pick up an acre of land, I’ll let you call it a hard asset, I’m not messing with anyone that strong). In truth, the majority of financial advisors are selling paper assets to their clients. If it says “fund” or involves

“derivatives” or if there is a certificate of ownership in lieu of the actual asset...it’s not a hard asset. Never was...never will be. Hard assets have a documented history as a valid part of an asset-class, diversified portfolio. Hopefully, you’re motivated to do some research on this area. It’ll benefit you and your clients. Remember, we’re here to help. Thanks for reading.

Real hard assets are not really understood by the financial planner of today. If it's not a fund or an annuity...it simply doesn't exist.



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May-June 2003 Trend Indicators

USTIC Generic Gold Index: %Chg Trend

MS65: \$32,035 ↓ -0.31% →
 MS64: \$11,990 ↓ -2.63% →
 MS63: \$ 7,390 ↓ -2.24% →

Generic Morgan Dollar Index:

MS65: \$76.00 ↑ +1.33% ↑

CU3000 Index:

\$57,051 ↑ +1.24% ↑

Gold Bullion Spot:

\$361.80 per oz. ↑ +12.53% ↑

Silver Bullion Spot:

\$4.51 per oz. ↑ +2.03% ↑

CCDN (+/-) Count (Total: 10074 listed prices):

Plus: 370 Minus: 29 Unch: 10074 →

Most active series:

Mint State Type, Morgan Dollars, Proof Singles,
 Silver Commemoratives, Walking Liberty Half
 Dollars

CCDN CMI Values: 12/13/02 to 6/13/03 %Chg

Silver Commem	514.97	518.14	+0.61%
Gold Commem	524.16	557.32	+6.32%
Morgan Dollars	879.43	894.96	+1.76%
Peace Dollars	638.04	638.04	0.00%
Mint State Gold	468.22	483.52	+3.27%
Proof Gold	736.62	751.24	+1.98%
Proof Singles	752.23	793.97	+5.54%

Asset Allocations, 1978 - 2002

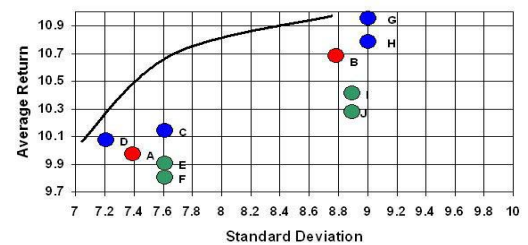
Asset Classes	A	B	C	D	E	F	G	H	I	J
Stocks	33.3	30.0	31.7	31.7	30.0	30.0	47.5	47.5	45.0	45.0
Treasury Bonds	33.3	25.0	31.7	31.7	30.0	30.0	23.8	23.8	22.5	22.5
Treasury Bills	33.3	25.0	31.7	31.7	30.0	30.0	23.8	23.8	22.5	22.5
Coins (MS69)	0	0	5	0	5	0	5	0	5	0
Coins (MS63-66)	0	0	0	5	0	5	0	5	0	5
Gold	0	0	0	0	5	5	0	0	5	5
Average % Return	10.2	11.0	10.4	10.3	10.0	10.0	11.2	11.1	10.8	10.7
Standard Deviation	7.1	8.2	7.3	7.4	7.4	7.4	8.6	8.6	8.5	8.5

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Source: L.A. Research, Pennsylvania State University

The colored columns above correspond with the matching colored dots on the chart below.

Efficient Frontier - 1978 - 2002

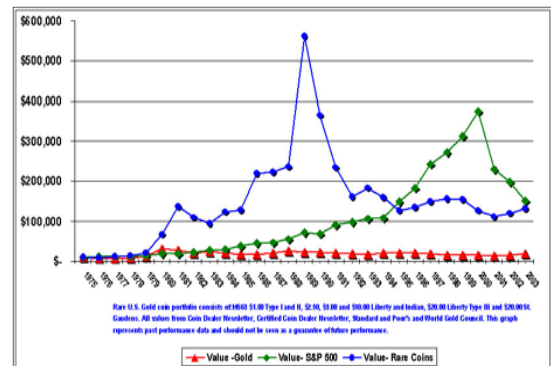


Legend: ● No Coin or Gold ● 5% Coins ● 5% Coins & 5% Gold

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Source: L.A. Research, Pennsylvania State University

Rare Gold Coin Market Performance Jan 1977 - Jan 2003



Rare U.S. Gold coin portfolio consists of 18000 1/2 oz Type 1 and 2, 20,000 1/10 oz and 1980 Liberty and Indian, 50000 Liberty Type 10 and 500000000. Gold coins. All values from Coin Dealer Newsletter, Certified Coin Dealer Newsletter, Standard and Poor's and World Gold Council. This graph represents past performance data and should not be seen as a guarantee of future performance.

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