

Valuation of historical securities

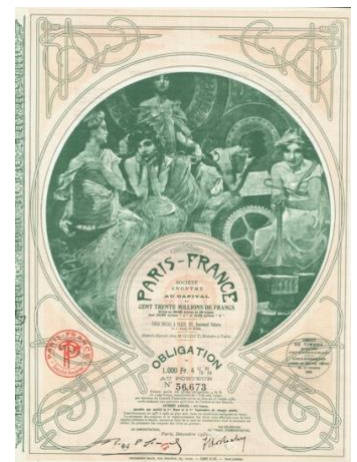
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1. Introduction

As material witnesses to economic history, historical securities - some of them designed by well-known artists - have enjoyed great popularity among collectors for more than 50 years. Nevertheless, compared to stamps, coins or fine art, this is a relatively young field of collecting. Especially in the last 20 years, there has been a great change in the way of collecting. In the years from 1970 to the mid-1990s, information on both the availability of titles and price differences between the countries (and continents) of collection was extremely sparse and the market intransparent. The professional dealer succeeded in building up a stable customer base, which was by necessity very loyal to him. Specialist magazines, auction events and collectors' clubs were the only means of networking that brought some transparency to the market. Today, the market is indeed more transparent - not least thanks to the Internet. But as with other areas of collecting, discussions among collectors inevitably bring up the question of the value of their collections.

The confusion and general disappointment that sometimes emerge from these discussions demonstrate the need for a realistic and unemotional presentation of this issue. Some points may seem unpleasant to one collector or another. But when it comes to money, it is better to speak plainly rather than to promote the illusion that one can "get rich" by collecting and buying alone.



The share of the department store "Paris-France" not only refers to the beginnings and the golden age of the temples of consumption, but was also designed by the famous Art Nouveau artist Alfons Mucha.

2. Major events with market and price impact

2.1 Internet

The advent of the Internet - especially the auction platforms Ebay, Ricardo and others - have greatly changed the market structure. By using search engines such as Google, images and offers of historical securities are easy to find for collectors. Professional auctioning is also increasingly taking place online, e.g. via Invaluable.com. As a result, dealers increasingly lost control over their protected market. The consequence was a democratization of the market, on the collector's as well as on the dealer's side.

2.2 Liquidation of archives, e.g. Penn Central

The Penn Central Corporation is one of the large companies in the USA that was active in transportation for more than a century. The Pennsylvania Railroad was founded as early as 1846, and the New York Central Railroad followed in 1853. Starting with these two companies, a network of other railroads and of companies in related fields developed until they dominated virtually the entire northeastern United States. Among the families involved, the Vanderbilts were certainly the most prominent.



The shares of the Pennsylvania Railroad Comp. became a bulk item.

When Penn Central withdrew from the transportation business after 1974, it was decided to sell the archive of thousands of stocks and bonds from its holdings that had been accumulated over more than a hundred years. The impact in the collector market was enormous. On the one hand, there was a massive drop in the price of many railroad papers, and on the other hand, there was an enrichment, because all of a sudden, previously unknown issues were available to the market.

In particular, papers with autographs, which now became available in corresponding quantities (Rockefeller, Vanderbilts, and many other well-known investors of the time, such as Gould, Keep), also suffered in price. But even in this area, there were a number of welcome new additions which were offered to collectors at reasonable prices.

2.3 Barov – today active under the abbreviation BADV (Federal Office for Central Services and Unresolved Property Issues)

Starting in 2002, the BADV commissioned an auction house to auction off the approximately 26 million Reichsmark-denominated securities held in the collective custody of the former Deutsche Reichsbank in Berlin. This caused the prices of German stocks and bonds to plummet. Issues not held in the Reichsbank's inventory were able to hold their prices, and there were also many issues in the so-called Reichsbank treasury that had previously been unknown to the collector market.



Papers from the former Reichsbank treasury are easily recognizable by the large cancellation perforation (usually in the seal).

2.4 Conversion of Share Categories

It was mainly the shares (stocks, shares, etc.) that were affected, while in the case of debt securities (bonds) this development did not have any impact.

2.4.1 Germany

The introduction of the euro and adjustments to joint-stock legislation (including the issue of non-par-value shares) led to an extensive exchange of old securities for new ones. DM-denominated securities that had to be exchanged have today become an established collector's item in the market.

2.4.2 Switzerland

Already after the turn of the century, mergers of companies increased, which led to larger quantities of papers of the preceding companies being brought to the collector's market via the exchange of shares. For such securities, which were held in many collections because of their age, the sometimes high prices (rarity premium) could no longer be justified.

From 2024, bearer shares will disappear in Switzerland, which will further intensify the price pressure on many certificates of stock.

3. VALUE is not PRICE

Undeniably, the security itself is an object of value. But its value depends on various factors. First of all, it is necessary to define more precisely what is meant by "value" in each individual case.

3.1. The estimated or catalog price

This is a pure book value, it exists only on paper and has little connection with the reality of the market. Depending on changes on both the supply and demand side, which cannot be ruled out in the market for historical securities, these prices can vary greatly. Preservation and special features such as signatures of well-known personalities (Riggenbach, Edison, Rockefeller, etc.) can influence prices upwards as well as downwards.



A share with the original signature of John D. Rockefeller is still a reliable value.

3.2. The Purchasing Value

The purchasing value is calculated from the resale value that the dealer can achieve in the market minus a gross profit margin and tax component. For the collector it represents the realizable selling price. The dealer generally calculates with 20-80% markup on the purchase price, depending on demand, need, inventory, "saleability", etc.

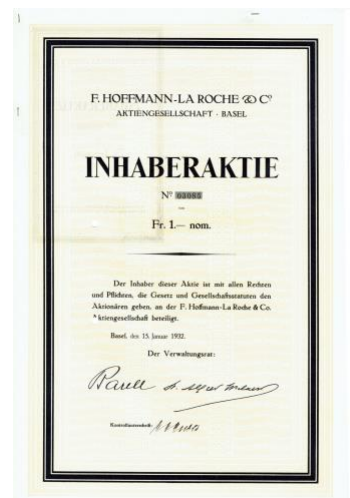
3.3. The Selling Value

This results on the one hand from the discounts that a dealer gives and on the other hand from the price that has to be paid for the purchase or replacement of the respective title. Purchase value plus realizable gross profit margin form the sales value.

3.4. Value of Leisure Time

It is the same as in the game of football. Collecting historical securities is a leisure activity that generates fun, but also costs money that one does not get back, such as equipment, instructional hours, field rent, etc. Nobody would think that a used football would bring in more money when sold than it used to cost. The fact that a historical security can fetch more when sold than what was once paid for it is a possibility, but not the rule - in fact, overall it is rather the exception. Much consideration, experience and also some luck are needed. The majority of historical securities today are rather to be regarded as "consumer objects": You can obtain them easily, enjoy them, arrange them, spend your free time with them and deal with economic history, among other things, in short: you "play" with them. Therefore, a certain percentage of the purchase price must be deducted as "use-value".

However, if the demand is higher than normal, this use value can be compensated or even surpassed by an increasing price development. But as long as there are enough specimens of one variety for all "interested parties" - i.e. collectors - price increases are kept within narrow limits. And if prices rise, it is only until the number of those willing to pay is reduced to the number of available specimens. The old rules of the game of supply and demand apply.



Due to its rarity, the F. Hoffmann-La Roche & Co. share is highly sought after despite its utterly sober design.

4. Acquisition from the dealer's point of view

No dealer can buy everything that is offered to him. Thus, he has to select and prioritize. He will preferentially take over the items that he can resell either quickly with the least risk or with the greatest possible profit. This is understandable, simple market economy and commercial thinking. In the case of a purchase of a collection, usually only a part can be marketed or resold in the short term. This part should return the dealer as large a percentage of the acquisition price as possible, perhaps already a profit. The rest of the items are put into storage and are only amortized in the medium to long term.

For an intensive work up and liquidation of collections, the dealer usually does not have the time, except for top quality lots with many high values, peculiarities and extras. Collections that are to be passed on in their entirety can only be sold to end customers at a considerable discount. This is even more true for "stripped" partial collections, from which individual top values that sell easily have already been removed.

5. Selling of individual securities

5.1 Cheap is not necessarily worthless

One should be aware that securities with a market value of less than 50 Swiss francs play a very minor role in the sale and are hardly taken into account in the price assessment. As a rule, there are enough of them and for retailers, the individual purchase, processing and quality control is hardly worthwhile. Approximately 80% of all issues fall into this category. Although they make up an overwhelming part of the securities market, they are of little importance when it comes to purchasing.

However, those who do not shy away from time and effort as a seller can achieve an acceptable price by using direct sales via the Internet. It is also possible to make some profit by means of a carefully chosen swap or sale via "swap exchanges" or flea markets.



Especially American stocks and bonds are often available in large quantities on the collector's market.

5.2 Small values - small prices

In the next higher category, where the sale values range from 50 to 100 Swiss francs, it depends very much on the particular industry or country of origin on which sale is possible. For issues from less sought-after countries or industries, it is often not possible to achieve 10% of the treasury or catalog price, even for the dealer. Even here, the relative rarity hardly plays a role. In this case, it is most rewarding to search for the right buyer yourself.

5.3 Higher quality pieces - different demand

The situation is different for the medium and higher value items from 500 francs upwards. Pieces from 500 to 1,000 francs represent highlights of the collection for many collectors. Some of these are already top values of certain sectors and countries. For the market, however, they are standard goods, usually not excessively rare and replaceable, therefore only well priced when needed.

For the dealer, the most important thing is that the higher the price of a particular title or collection, the less worthwhile it is to buy in stock and leave the pieces lying around for a long time if no significant shortage or increase in value is to be expected.

The situation in the upper price range from 1,000 francs upwards is not much different. If a dealer can sell an issue concretely and quickly, he will pay better prices than if he only increases his own stock by doing so. For the seller, it can be worthwhile to request offers from different sources and compare them. The prerequisite for good prices is, of course, perfect preservation. Prices vary widely, even for better quality titles from regions that are not overly sought after. Depending on a retailer's clientele, they may sell well or not at all, and his bids will vary accordingly. Here it is worthwhile to go through advertisements or to consign the lot at auctions.



The share of the "Dampfschiffahrts-Gesellschaft des Thuner & Brienzersees" usually fetches a price of several thousand francs.

5.4 Classes of Value for Historical Securities

Value class	Catalog value	Sales value	Remarks
Bulk items	CHF 0.10 to 10.00	0 to 25%	When purchased almost not taken into account and if necessary purchased in bundles.
Low values	CHF 10.00 to 50.00	1 to 30%	Hardly considered at purchase and if required purchase only in multiples.
Minor values	CHF 50.00 to 100.00	10 to 40%	Taken into account individually when purchased and, if necessary, purchased preferably in multiples.
Medium values	CHF 100.00 to 500.00	20 to 50%	Considered individually at purchase, if necessary, purchase also made individually.
Upper values	CHF 500.00 to 1'000	30 to 60%	Single items taken into account for purchase, also single purchase if needed.
Top values	from CHF 1'000	50 to 80%	Price strongly dependent on preservation, it is worth comparing purchase offers.
"Museal" prestige values	above CHF 10'000		Completely different rules apply to this category. Mainly sold at auctions.

6. Sale of collections

When selling collections, the proportion of better pieces (average values upwards) plays the main role. They represent the "value framework" garnished by the small material. No dealer takes the trouble to consider every security contained in the collection when determining the price. For this purpose, it is usually sufficient to add up all flawless items starting at about 100 francs, and perhaps to create a second value group with specimens starting at 1,000 francs. The remainder, if at all, will be added as a lump sum.

When building up a collection that is intended to fetch a reasonable price later on in the event of a sale, the following guidelines should be taken into account:

- Already at the time of acquisition, pay attention to quality.
- Replace securities with flaws with those of impeccable quality.
- Pay attention to an internationally known company.

7. Accessories

Albums for Historical Securities are a very nice and useful thing to store and present the papers in a clean and safe way. They "are something to look at" and for many people they increase the pleasure in their collection, because of the more intensive attention they give to sorting and filing. However, by no means do they increase the value of the securities themselves; at most, they maintain their value. In the purchase of a collection, the albums are therefore almost not taken into account. For the dealer, they are not necessarily easy to sell second-hand. They take up space and compete with the new albums that he usually has on offer. Privately, however, you can always find a buyer if they are in good condition and offered at a good price.



Collector albums are a practical accessory, but do not increase the value of a collection.

Reference: The publication "Die hohe Kunst Briefmarken zu verkaufen" in Markt und Marken issue 2/92 served as the basis for this essay.