

Where the wealthy are investing their money

Wine, rare coins and Guinness memorabilia: alternative investments, for the cautious or less financial solvent, are booming

Melanie Wright

Wealthy investors are once again turning to commercial property and, with economic anxiety easing, are also seeking more esoteric ways to generate returns, such as fine wine and rare coins.

Commercial property prices have plummeted 44% since their 2007 peak, but big spenders such as Gerald Ronson, the developer, are lining up to buy shops and offices, confident the only way is up for values.

For those with a little more caution or a little less cash to hand, alternative investments are proving popular. Alan Brown, chief investment officer at Schroders, the fund manager, has been buying Bordeaux wine, while Lord Iveagh has been adding to his collection of Guinness memorabilia.

Here, we look at five ways the rich are investing their money:

1 COMMERCIAL PROPERTY

The drop in prices has raised rental yields from about 4.6% two years ago, to 7.9%, and affluent investors are buying bargains.

Bill O'Neill, portfolio strategist at Merrill Lynch Global Wealth Management, said: "Commercial property in Europe and the UK has been neglected by investors. Worries about companies' financing persist, but it does mean this area is cheap, particularly in the UK."

Three-quarters of private banks surveyed by Hotbed, an investors' network, said they believed the coming year would be a good time to invest in the sector, compared with only a third in 2008.

Several firms have launched commercial property funds recently. BDO Stoy Hayward Investment Management has just started the UK Strategic Income Property fund with Cobra Asset Management and Strutt & Parker, the property consultant. The fund's target is a total return of 10%, with the managers taking a performance fee of 20% of anything earned over that. The minimum investment is £100,000.

Seven Dials Fund Management has launched the Lightstone Prime High Street fund, which will buy shops in towns and cities such as Chester, Kingston and Canterbury. Astrid Cruickshank, the manager, said: "The unprecedented volatility we have experienced over the past 18 months has given rise to an increasing number of opportunities at prices that are very attractive compared with historic levels and offer long-term performance potential."

Clavis Walden is planning to launch the Property Authorised Investment fund in November. It will invest 80% in bricks and mortar and 20% in shares, and aims to pay investors 7% a year.

In another sign that confidence is returning to the market, brokers such as Bestinvest have begun tipping the New Star UK Property fund again. It once held more than £2 billion of investors' money, but is now worth £635m because of huge outflows and poor performance. It is down 23.3% in the past year and is yielding 5.9%, according to Trustnet, the data provider.

2 WINE

Schroders' Alan Brown has been a collector of fine wines for many years. Recently he has been buying into red Bordeaux, which accounts for 90% of the wine investment market.



The Liv-ex 100 index, which tracks the prices of the most sought-after wines, is down 14.2% on last year. However, the latest monthly figure was up 4.6% and it is up 10% in the year to date.

To be regarded as a good investment, a wine must have an instantly recognisable label or a brand with a long track record of quality, and high to very high prices, according to the website decanter.com. It should be stored in a bonded warehouse to maintain its quality.

Alternatively, investors can get involved through a fund. The Fine Wine fund, domiciled in the West Indies and managed by Wine Asset Managers, is up 4.1% so far this year and has returned 21% since its inception in September 2006. The minimum investment is £50,000.

Most wine qualifies as a “wasting chattel”, something with a maximum life of 50 years which will ultimately decline in value. As such, it is free from capital gains tax.

Remember, though, that wine investment remains a largely unregulated activity. Anyone can promote themselves as a wine dealer, and there is nothing in the way of investor protection.

3 RARE COINS

Clem Chambers, chief executive of advfn.com, the stock market information website, has been adding to his collection of rare coins during the recession.

He favours British and Roman coins. “My favourite has Hadrian written on one side, which is my middle name, and Clem, my first name, on the other. I bought it for about £500,” he said. “The return from coins tends to be between 7% and 10%, though I only buy at the moment — I’m not selling.

“My top tip is that if you can buy two good coins for a certain amount, or just one fabulous coin, you should always go for the one fabulous coin.”

Coins have historically produced annual returns of more than 10%, according to Avarae, the UK’s only publicly traded specialist investment company dedicated to rare and high-quality coins. The BlackRock Gold & General fund and Jupiter Asset Management are shareholders in Avarae, which is listed on the Alternative Investment Market.

Next time you shop, check your change carefully because you may have received a rare coin. A batch of 20p pieces was issued with mis-matched faces last year because of an unusual lapse in quality control at the Royal Mint. This meant some entered circulation without a date. The Royal Mint has offered to buy back the coins for £50 apiece. One recently reached £7,100 on eBay, however.

More information about coin collecting is available at the dealers’ website numis.co.uk.

4 TRADEMARKS

Trademarks, a sign that can distinguish your goods and services from those of competitors, are proving a popular cash generator for entrepreneurs, who can sell them to their pension funds, raising capital for their businesses and generating returns for their pensions.

Trademarks are independently valued and bought as an investment by the pension funds, then licensed back to the firm, which pays a “royalty” for using them. Martin Tilley, at Dentons Pension Management, said: “This has advantages all round. From a company perspective, it results in a cash injection to the business, and the payment of royalties serves ultimately to boost the directors’ retirement wealth. If the company is expanding, the value of the trademark will, too.

“An added advantage is that should the company ever fail, the trademark, which could still have value, would not be lost to the administrator or receiver as the pension is a separate legal entity.”

Tilley said two recent sales were producing returns for the pension funds of 5.4% and 7% a year. To register a trademark, apply to the Intellectual Property Office (ipo.gov.uk).

5 MEMORABILIA

This can be a way to turn a profit while pursuing one of your passions. Lord Iveagh, a descendant of Arthur Guinness, inventor of the famous stout, enjoys hunting down Guinness memorabilia, often through eBay.

He collects the Guinness-related items to preserve them, rather than for investment purposes, but memorabilia can fetch impressive prices. For example, a large linen-backed Guinness advertising poster by Tom Eckersley, from 1960, could sell for as much as £1,500. Guinness is celebrating its 250th anniversary this year, which should improve demand for the iconic brand.

If you're looking for a sound investment, choose items that are likely to appeal to a wide number of people. Film memorabilia and sport-related items are good bets—a 1966 World Cup final programme could sell for up to £250.