CHAPTER SEVEN

INVESTMENT RETURNS ON RARE COINS

Viewed across the long haul of time, rarely have investments performed as well or as consistently as American rare coins. Few financial assets that should be commonly found in a properly diversified portfolio has returned as much profit, at the same or equal risk, and so successfully resisted the repeated assaults of economic fluctuation over time. Too often, champions of many kinds and types of investments are forced to present selectively edited figures and information to back up there claims of long term profitability. Under independent analysis, we present evidence that rare coins have outperformed virtually all other more available, better known and more commonly traded investments.

In 1983 we first presented the original Solomon Brothers Report Study and listed the coins within it showing that in a well researched survey of financial and collectable assets, American rare coins consistently outperformed fourteen more common and more popular financial and tangible investments over the fifteen year researched period. That original report in its entirety can be found updated in the appendix of this book.

Now Neil Berman and Dr. Jason Perry will present our report, an independent original piece of research showing the returns on various investments, including several coin portfolios including three by Silvano DiGenova and Neil Berman, which I have labeled DiGenova for brevity.

Berman-Perry Report

While the following description of asset returns does not take into account the transactions costs involved in buying or selling the actual assets, inventory security costs, taxes, or insurance, it does give the observer an accurate, close and unbiased look at all the investments examined.

Furthermore, all returns are presented as nominal returns, which exclude the effects of inflation. All coin portfolio prices are computed by summing the prices of each individual coin in the portfolio. Hence, any coin portfolio can be thought of as a collection of one of each coin in the portfolio. The BU Rolls portfolio consists of one of each roll of Morgan and Peace dollar rolls in BU condition, for which there exist prices in the Coin Dealers Newsletter, called the “grey sheet”. The DiGenova AU and UNC portfolios consist of the About Uncirculated coins and the Uncirculated coins respectively, the contents and details of which are closely examined in Chapter 8. DiGenova BOTH includes both the AU and the UNC coins of the portfolio.

Chart 16 illustrates the annually compounded rates of return for various asset types over six different holding periods. In addition, the table presents the rate of growth of the Consumer Price Index (CPI) a commonly used measure of inflation.

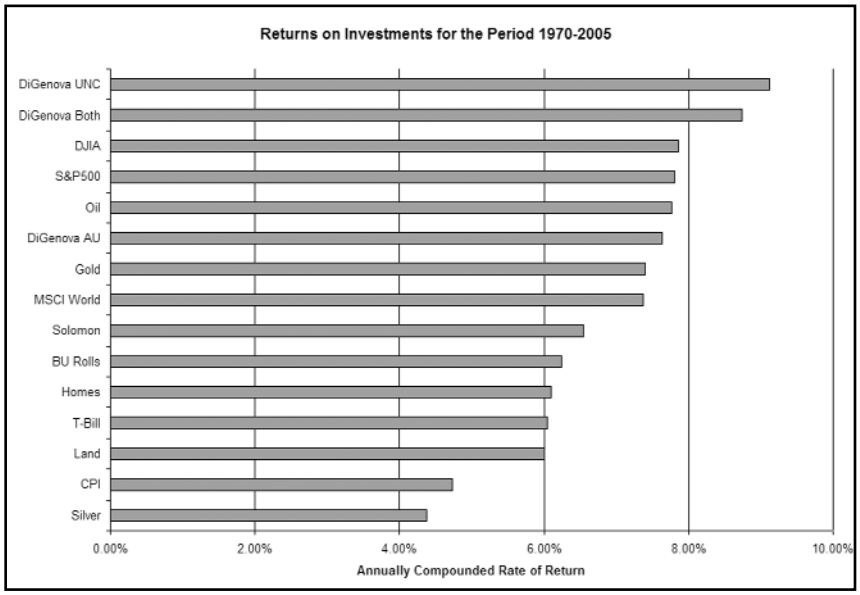
CHART 16 BERMAN-PERRY RETURN ON INVESTMENTS

	Annually Compounded Rates of Return on Popular Investments for Various Holding Periods											
	1970-2005		1970-1995		1970-1985		1980-2005		1980-1995		1990-2005	
Asset Type	(35 Years)	Rank	(25 Years)	Rank	(15 Years)	Rank	(25 Years)	Rank	(15 Years)	Rank	(15 Years)	Rank
Silver	4.37%	15	4.69%	15	8.92%	9	-3.18%	15	-7.43%	15	3.99%	11
Gold	7.39%	7	10.00%	1	15.48%	2	-1.84%	14	-3.79%	12	0.22%	14
Oil	7.77%	5	6.60%	10	14.81%	3	0.87%	12	-5.22%	13	4.74%	8
Homes	6.09%	11	5.81%	13	6.90%	12	5.26%	5	4.25%	6	5.21%	6
Land	6.01%	13	6.01%	12	8.99%	8	2.91%	10	0.91%	11	5.43%	5
MSCI World	7.37%	8	7.69%	5	4.48%	14	9.15%	3	10.90%	1	4.94%	7
S&P500	7.81%	4	7.08%	7	5.11%	13	9.80%	2	9.90%	3	8.89%	2
DJIA	7.85%	3	6.79%	9	3.72%	15	10.44%	1	10.36%	2	9.77%	1
T-Bill	6.04%	12	6.95%	8	7.77%	10	5.96%	4	7.42%	4	4.10%	9
DiGenova AU	7.64%	6	8.73%	4	13.06%	4	2.75%	11	1.31%	10	4.05%	10
DiGenova UNC	9.12%	1	9.95%	2	12.00%	7	4.92%	6	3.50%	7	8.07%	3
DiGenova Both	8.74%	2	9.61%	3	12.34%	5	4.35%	7	2.88%	8	6.99%	4
BU Rolls	6.24%	10	6.50%	11	21.10%	1	-1.79%	13	-6.42%	14	0.07%	15
Solomon	6.55%	9	7.32%	6	12.21%	6	3.15%	9	2.17%	9	3.33%	12
CPI	4.74%	14	5.67%	14	7.08%	11	3.66%	8	4.48%	5	2.75%	13

A description of the data is presented in the appendix.

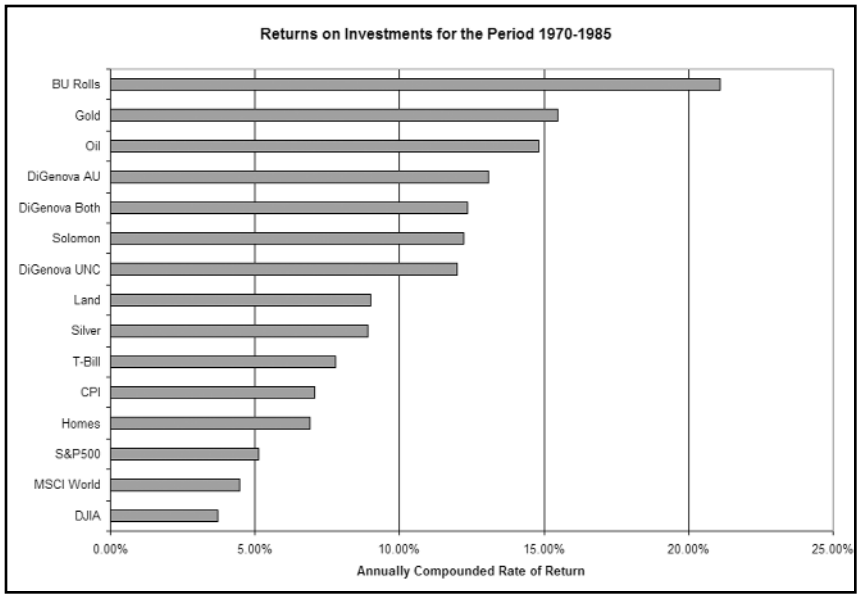
As shown in Chart 16, the full sample of data from 1970 to 2005 reveals that the DiGenova UNC portfolio outperformed all other assets – earning roughly 9.12% per year for the entire thirty-five year period that we studied. Silver, on the other hand, had the worst performance of all assets and did not even generate a return greater than the rate of inflation. Trailing behind the DiGenova UNC and DiGenova BOTH portfolios are the Dow Jones Industrial Average (DJIA) and the Standard & Poor's 500 (S&P500) indexes. The returns on the MSCI World index, a popular measure of international equity performance, were about half a percent less than the returns on United States equity positions.

CHART 17 BERMAN-PERRY RETURN ON INVESTMENTS 1970-2005



An investor would have been better off buying oil or gold than the BU Rolls or the Solomon Brothers coin portfolios, as we see in Chart 17. The average value of United States farmland and Freddie Mac's Conventional Mortgage Home Price Index (CMHPI) exhibited only modest returns of around 6%, the same returns an investor would have received from three month Treasury bills. Although it is common for people to believe that homes have extraordinary returns relative to other assets, these large returns are only due to the leverage investors receive from obtaining a mortgage. If individuals were able to place a twenty percent down payment on the DiGenova UNC portfolio and borrow the rest of the money from a bank, the return on investment would exceed the return on an average home in the U.S. for the period 1970 to 2005.

CHART 18 BERMAN-PERRY RETURN ON INVESTMENTS 1970-1985



Things appear much different for the shorter holding periods presented in Chart 16. For example, Chart 18 shows that the BU Rolls portfolio earned over 21% per year during the fifteen year period from 1970 to 1985. That's about six times the return on the DJIA for the same period. Over this period international as well as domestic equity yielded the worst returns of all assets considered in the table, but oil and gold outperformed everything except for the BU Rolls portfolio.

CHART 19 BERMAN-PERRY RETURN ON INVESTMENTS 1985-2005

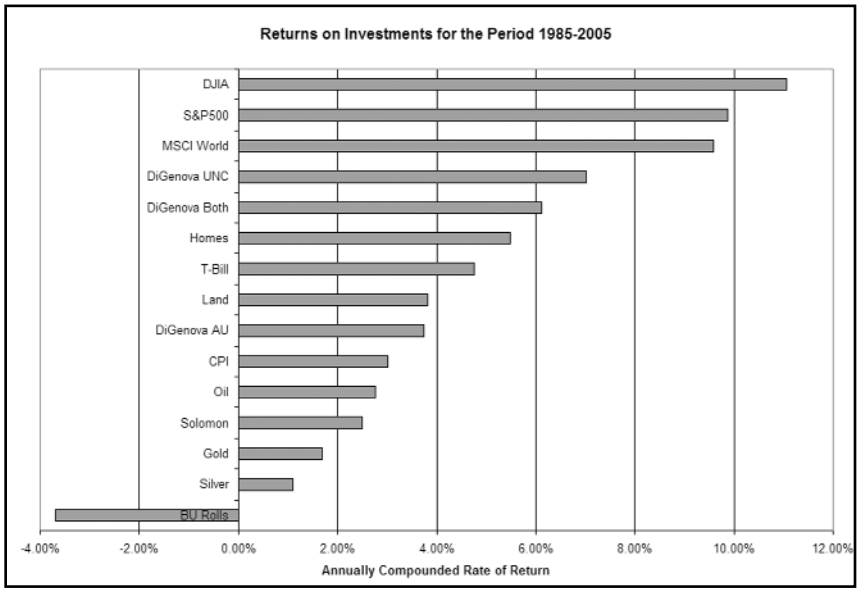


Chart 19 shows the asset returns for the period from 1985 to 2005 where the opposite results can be seen from Chart Three. In this period equity performed the best and the BU Rolls portfolio actually exhibited large negative annual returns.

CHART 20 BERMAN-PERRY COMPOUND RETURN ON INVESTMENTS

	Annually Compounded Rates of Return on Popular Investments for Five-Year Holding Periods													
	1970-1975		1975-1980		1980-1985		1985-1990		1990-1995		1995-2000		2000-2005	
Asset Type	(5 Years)	Rank	(5 Years)	Rank	(5 Years)	Rank	(5 Years)	Rank	(5 Years)	Rank	(5 Years)	Rank	(5 Years)	Rank
Silver	20.10%	5	32.04%	3	-18.52%	15	-7.13%	14	4.82%	5	-0.78%	14	8.12%	6
Gold	38.22%	1	30.82%	4	-14.82%	14	6.26%	6	-1.59%	13	-5.56%	15	8.33%	5
Oil	17.74%	7	37.30%	1	-6.37%	13	-2.94%	13	-6.30%	14	10.34%	4	11.15%	1
Homes	5.74%	12	10.72%	11	4.35%	8	6.33%	5	2.12%	10	5.05%	9	8.56%	3
Land	11.65%	9	16.73%	6	-0.66%	9	-0.86%	12	4.32%	7	5.25%	8	6.74%	8
MSCI World	-4.22%	15	10.88%	10	7.38%	4	24.83%	1	1.74%	11	18.10%	3	-3.82%	15
S&P500	-1.97%	14	8.20%	13	9.49%	2	12.87%	3	7.41%	4	24.28%	1	-3.26%	14
DJIA	-1.11%	13	4.47%	15	8.00%	3	15.02%	2	8.21%	2	23.27%	2	-0.84%	13
T-Bill	5.92%	11	6.57%	14	10.89%	1	6.76%	4	4.69%	6	4.96%	11	2.65%	11
DiGenova AU	19.54%	6	22.30%	5	-1.14%	10	2.83%	10	2.27%	9	4.98%	10	4.91%	9
DiGenova UNC	29.40%	2	11.99%	9	-3.04%	12	3.88%	7	10.08%	1	5.54%	6	8.65%	2
DiGenova Both	26.73%	3	14.66%	8	-2.43%	11	3.54%	9	7.81%	3	5.40%	7	7.79%	7
BU Rolls	22.40%	4	36.58%	2	6.24%	6	-14.19%	15	-10.12%	15	6.59%	5	4.61%	10
Solomon	15.54%	8	15.52%	7	5.85%	7	0.02%	11	0.73%	12	1.04%	13	8.39%	4
CPI	6.65%	10	8.32%	12	6.27%	5	3.82%	8	3.37%	8	2.38%	12	2.48%	12

A description of the data is presented in the appendix.

Chart 20 breaks down the full thirty-five year period into seven five-year holding periods. The most interesting insight from the table is that the performance of each asset varied significantly from period to period. For example, oil was the top performer in two of the seven periods, those being 1970-1975 and 2000-2005, but ranked near the bottom for three other periods. Gold outperformed all other assets in the table from 1970-1975, but was near the bottom for three other periods.

Although Treasury bills are seen as extremely safe assets that typically earn

low returns, they had the highest returns from 1980-1985. Chart 20 makes it clear that timing is everything when it comes to investing. Investors who place all of their money in one asset type are taking on more risk than those who diversify their portfolio by holding a certain amount of every asset type.

While we never would suggest that any investor place all has assets in rare coins, it does become clearly apparent that to investors that diversify their portfolios for long term safety, rare coins qualify as the number one best investment for that diversification. One can easily make the case that adding coins, bullion, and oil to a portfolio will diversify away some of the risk while still maintaining returns.

CHART 21 BERMAN-PERRY COMPOUND ANNUAL RETURN ON INVESTMENTS

	Annually Compounded Rates of Return on Popular Investments for Holding Periods Ending in 2005													
	1970-2005		1975-2005		1980-2005		1985-2005		1990-2005		1995-2005		2000-2005	
Asset Type	(35 Years)	Rank	(30 Years)	Rank	(25 Years)	Rank	(20 Years)	Rank	(15 Years)	Rank	(10 Years)	Rank	(5 Years)	Rank
Silver	4.37%	15	1.96%	15	-3.18%	15	1.09%	14	3.99%	11	3.58%	13	8.12%	6
Gold	7.39%	7	2.97%	14	-1.84%	14	1.70%	13	0.22%	14	1.14%	15	8.33%	5
Oil	7.77%	5	6.19%	4	0.87%	12	2.77%	11	4.74%	8	10.74%	1	11.15%	1
Homes	6.09%	11	6.15%	5	5.26%	5	5.49%	6	5.21%	6	6.79%	5	8.56%	3
Land	6.01%	13	5.10%	11	2.91%	10	3.82%	8	5.43%	5	5.99%	8	6.74%	8
MSCI World	7.37%	8	9.43%	2	9.15%	3	9.59%	3	4.94%	7	6.57%	7	-3.82%	15
S&P500	7.81%	4	9.53%	1	9.80%	2	9.87%	2	8.89%	2	9.64%	3	-3.26%	14
DJIA	7.85%	3	9.42%	3	10.44%	1	11.06%	1	9.77%	1	10.56%	2	-0.84%	13
T-Bill	6.04%	12	6.06%	7	5.96%	4	4.76%	7	4.10%	9	3.80%	12	2.65%	11
DiGenova AU	7.64%	6	5.77%	9	2.75%	11	3.74%	9	4.05%	10	4.95%	10	4.91%	9
DiGenova UNC	9.12%	1	6.07%	6	4.92%	6	7.01%	4	8.07%	3	7.08%	4	8.65%	2
DiGenova Both	8.74%	2	6.00%	8	4.35%	7	6.12%	5	6.99%	4	6.59%	6	7.79%	7
BU Rolls	6.24%	10	3.76%	13	-1.79%	13	-3.70%	15	0.07%	15	5.59%	9	4.61%	10
Solomon	6.55%	9	5.12%	10	3.15%	9	2.49%	12	3.33%	12	4.65%	11	8.39%	4
CPI	4.74%	14	4.42%	12	3.66%	8	3.01%	10	2.75%	13	2.43%	14	2.48%	12
A description of the data is presented in the appendix.														

Chart 21 is a variation of the other charts. It illustrates the effect of a buy-and-hold strategy where the buy date varies from 1970 to 2000, and the assets are always held until 2005. This chart shows essentially the same pattern as the other charts: Asset returns vary significantly from period to period.

Charts 16 through 21 only present the returns on the various asset types without consideration of the risk involved in holding these assets. Typically assets that are riskier should earn a higher expected return because most individual investors are risk-averse. So just because Asset A has a slightly higher return than Asset B does not imply that Asset A is a better investment. This is because Asset A could very well be ten times riskier than Asset B, for example. Ideally one would like to measure both the risk and the return of various investments and compare the risk-adjusted returns among them. The concept of "gain" or "return" is much easier to quantify than "risk" for the non professional investor.

Investors always differ in finite terms of how much risk they are willing to take on in any given time period. Investors who are close to retirement age may wish to invest more conservatively and thus lower their risk allocation. Younger investors may wish to have taken a more aggressive risk strategy where they are willing to hold a much riskier collection of assets in their portfolios. The time horizon is a key determinant of how much risk any investor may or should be willing to undertake in any given investment portfolio.

Ideally, investors should try to diversify their portfolios by purchasing not only assets of different riskiness, but also assets of many different types. One investment strategy is to allocate assets into one's portfolio according to an economic risk pyramid. The base of the pyramid consists of the largest fraction of assets in the portfolio. This is the category for the lowest risk assets such as Treasury bills, CDs, and money market funds, and other cash equivalents. The middle of the pyramid consists of moderately risky instruments such as equity

and A-rated corporate bonds. The peak of the pyramid consists of the lowest fraction of total assets in the portfolio. Typically these assets are the most risky and consist of metals, oil, and certain collectibles. Conservative investors will choose to increase the size of the pyramid base, while aggressive investors will increase the summit of the pyramid.

One notion of risk is the variability of prices over time. This can be measured as the standard deviation of a return series. Chart 22 shows the average and standard deviation of the returns for the seven five-year holding periods in Chart 20. Although gold has very high average returns, the standard deviation or riskiness of these returns is very high. In order to compare the risk-adjusted returns among different assets one must construct a measure that takes into account the return as well as the risk.

One such measure was introduced by Dr. William Sharpe, who with Dr. Harry Markowitz in 1990 won the Nobel Prize in Economics for his contributions to portfolio theory. This measure, known today as the Sharpe ratio, is computed as an asset's excess return above the risk-free return divided by its standard deviation of returns. Typically the return on a Treasury bill is used as the risk-free interest rate. Mathematically, the Sharpe ratio for Asset X is written as:

(Rx - Rf) / StdDev(X)

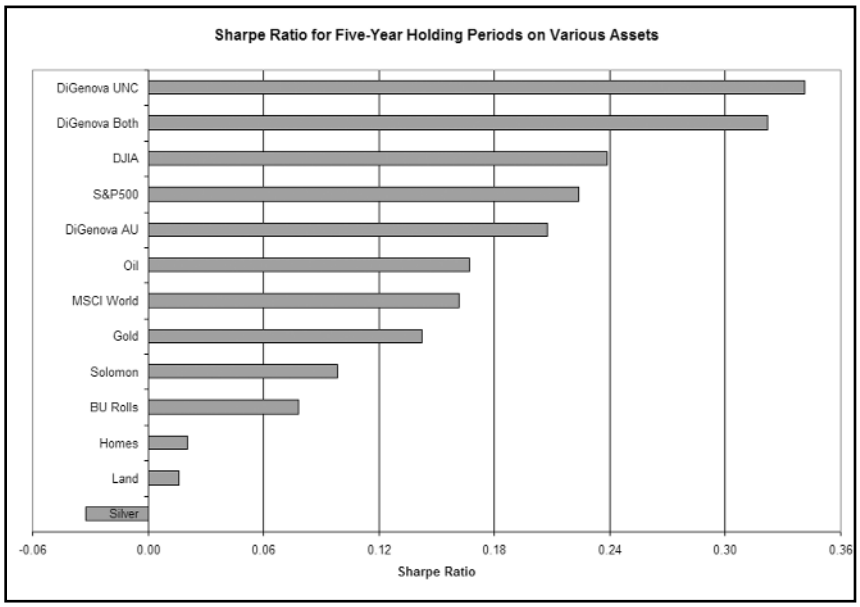
where Rx is the average return on Asset X, Rf is the average return on Treasury bills, and StdDev(X) is the standard deviation of returns on Asset X. The larger the Sharpe ratio, the larger the reward is for a given level of risk. Educated investors would like to invest in assets that have the highest Sharpe ratios.

CHART 22 SHARPE RATIO DATA

	Five-Year Holding Period Returns (1970-2005)			
Asset Type	Average	Standard Deviation	Sharpe Ratio	Rank
Silver	5.52%	16.83%	-0.03	14
Gold	8.81%	19.28%	0.14	8
Oil	8.70%	15.79%	0.17	6
Homes	6.12%	2.82%	0.02	11
Land	6.17%	6.35%	0.02	12
MSCI World	7.84%	10.97%	0.16	7
S&P	8.14%	9.29%	0.22	4
DJIA	8.15%	8.72%	0.24	3
T-Bill	6.07%	2.54%	0.00	13
DiGenova AU	7.96%	9.12%	0.21	5
DiGenova UNC	9.50%	10.07%	0.34	1
DiGenova Both	9.07%	9.33%	0.32	2
BU Rolls	7.45%	17.60%	0.08	10
Solomon	6.73%	6.73%	0.10	9

A description of the data is presented in the appendix.

CHART 23 SHARPE RATIO RETURNS



The Sharpe ratio is also presented in Chart 22 for all the assets under our consideration. The last column ranks the assets by their Sharpe ratios. Chart 23 illustrates the Sharpe ratios on a bar graph. The DiGenova UNC and DiGenova BOTH portfolios have the highest Sharpe ratios, followed by the DJIA, S&P500, and then the DiGenova AU portfolio. Therefore the Sharpe ratio for oil is about half the Sharpe ratio of the DiGenova UNC portfolio. This implies that the DiGenova UNC coin portfolio has double the risk-adjusted return relative to oil. Because average silver returns were lower than T-bill returns, silver has a negative Sharpe ratio.

Although the DiGenova portfolios have high risk-adjusted returns relative to the other investments, it is not true that all coin portfolios performed well in this regard. Both the BU Rolls portfolio and the Solomon Brothers coin portfolio rank near the bottom in terms of risk-adjusted returns, although these portfolios have about five times the risk-adjusted returns on land or homes.

The annual growth rate of the consumer price index, called the CPI, which is the inflation rate, has been reported in each of the tables. By deflating the asset prices in each period by the CPI, one can impute the real rate of return on investment.

CHART 24 BERMAN-PERRY MEDALS VS. T-BILLS VS. COINS

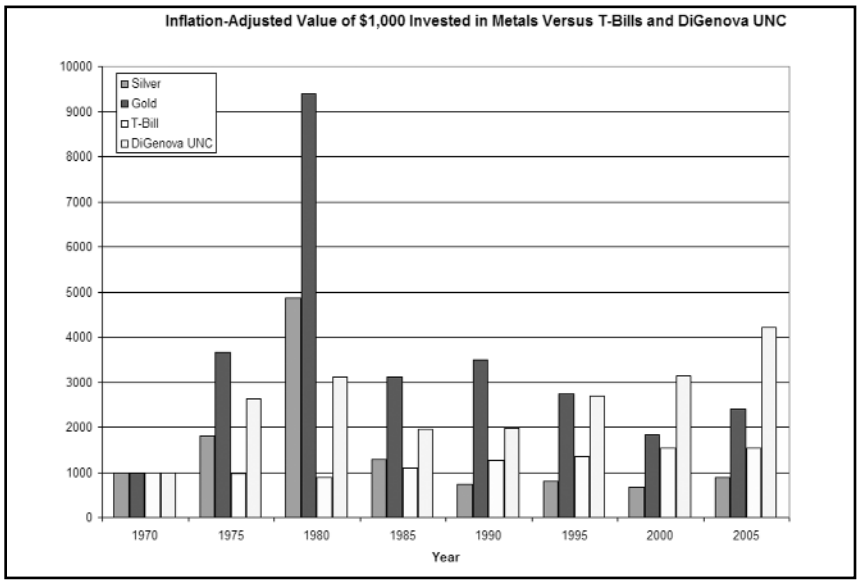
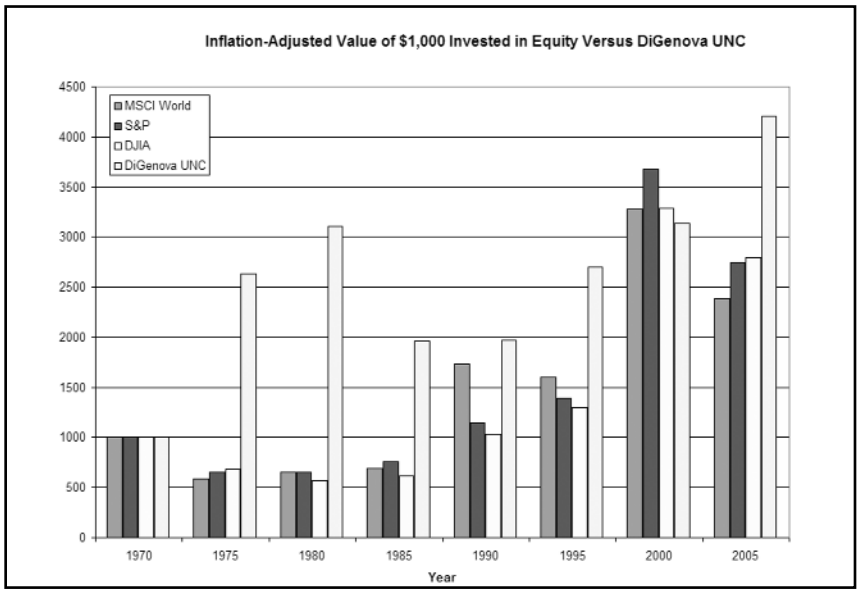


Chart 24 shows the inflation-adjusted value of one thousand dollars invested in 1970 for gold, silver, T-bills, and the DiGenova UNC portfolio. The real dollar value of gold spiked in 1980 at over nine times the original amount invested. By 2005 the value of the original one thousand dollars was only about $2,400 in real terms. Silver prices also spiked in real terms in 1980 and then by 2005 the real value of silver fell below the original one thousand dollars invested in 1970. Of all of the investments, the DiGenova UNC performed the best in real terms – more than quadrupling over the thirty-five year period that we charted.

CHART 25 INFLATION ADJUSTED INVESTMENTS



The format of Chart 25 is the same as Chart 24, but instead it compares the three equity indexes to the DiGenova UNC portfolio. The stock market bubble is apparent from the large price spike in equity in 2000. By 2005 the DiGenova UNC portfolio is worth about fifty percent (yes, 50%) more than the S&P500 index in inflation-adjusted dollars.

CU3000 Professional Coin Grading Service Coin Index

The PCGS Rare Coin Index is constructed from a thirty-five year price series of three thousand coins, there the CU3000 name. The prices that these coins have traded for historically has been meticulously recorded year by year from 1970 until today in order to give the reader an accurate picture of the investment history and the investment potential of these United States Coins. In total, there are about 235,000 date, mint, variety and grade combinations for every American coin in every condition currently traded ever made at every United States and Territorial Mint.

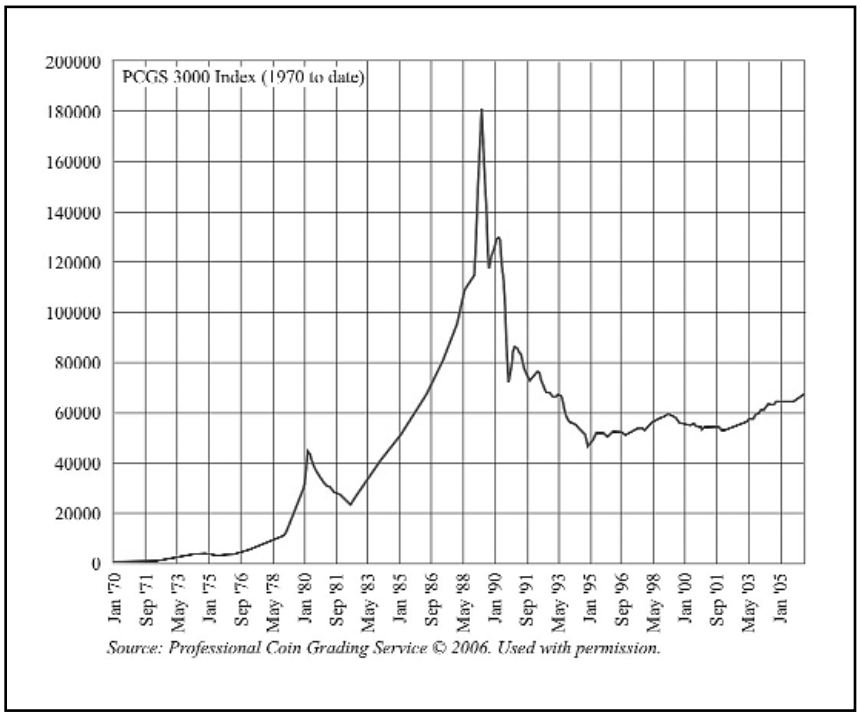
This index was created in 1986, about the same time that precision grading and the two major coin certification services first showed up and took over the rare coin marketplace like a storm. This also means that the prices prior to 1986 had to be researched and reconstructed from the "Red Book", that is *The Guide Book of United States Coins* by Richard S. Yeoman , public auction records of individual coins, and the "grey sheets", that is The Coin Dealers Newsletter.

The CU3000 Rare Coin Index is composed of an average of the nine CU3000 sub-indexes that make the completed index. In balance, to divide the coin population into nine groups allows the investor to see specifically what areas of the coin market have preformed best and when they performed best. Each sub-index contains prices for thirty-five years as well. These sub-indexes allow for the investor to determine which coins were good short term value and which coins were long term values, and which coins were best buys. Which coins are on each index is listed in detail in the appendix. This does not tell the investor well areas of the coin market will perform well in the future.

While this type of data was published in our first edition, the meticulous attention to detail by the CU3000 Rare Coin Index researchers is different and more current than the data of our first and second editions, and therefore makes this different information more helpful and useful to all coin investors, particularly those who have specific time goals or limitations on their investments.

Remember that your average investor has diversified within his coin portfolio, so that he owns a little from each of the nine areas of investment. Whether this is a good idea, or whether one should concentrate his investment into one area is a matter of opinion. Please remember that my opinion on this subject is discussed elsewhere in this book. The following returns use April 2006 as the present time period.

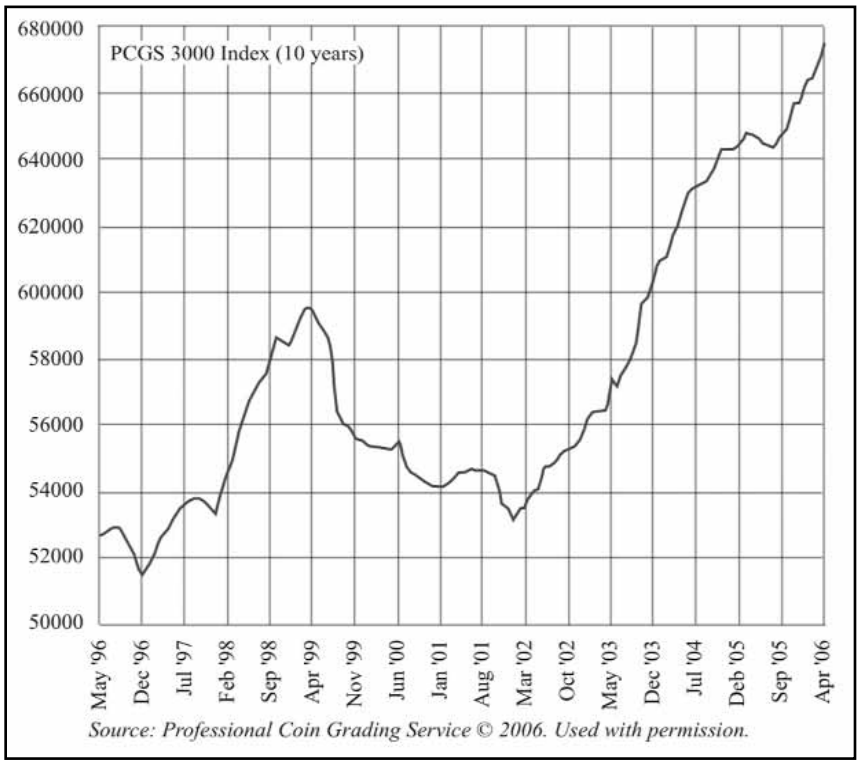
CHART 26 PCGS CU3000 35 YEAR COIN INDEX



Source: Professional Coin Grading Service © 2006. Used with permission.

Let us examine the complete CU3000 Rare Coin Index in detail. The base line is 1970, with a thousand dollars as the investment. Had you invested one thousand dollars in January, 1970 you would have made about 12.7% on average per year and have a total of over $64,000 at the end of the thirty-five year investment period. But perhaps you did not invest in coins way back then because you did not know about rare coin investments.

CHART 27 PCGS CU3000 10 YEAR COIN INDEX



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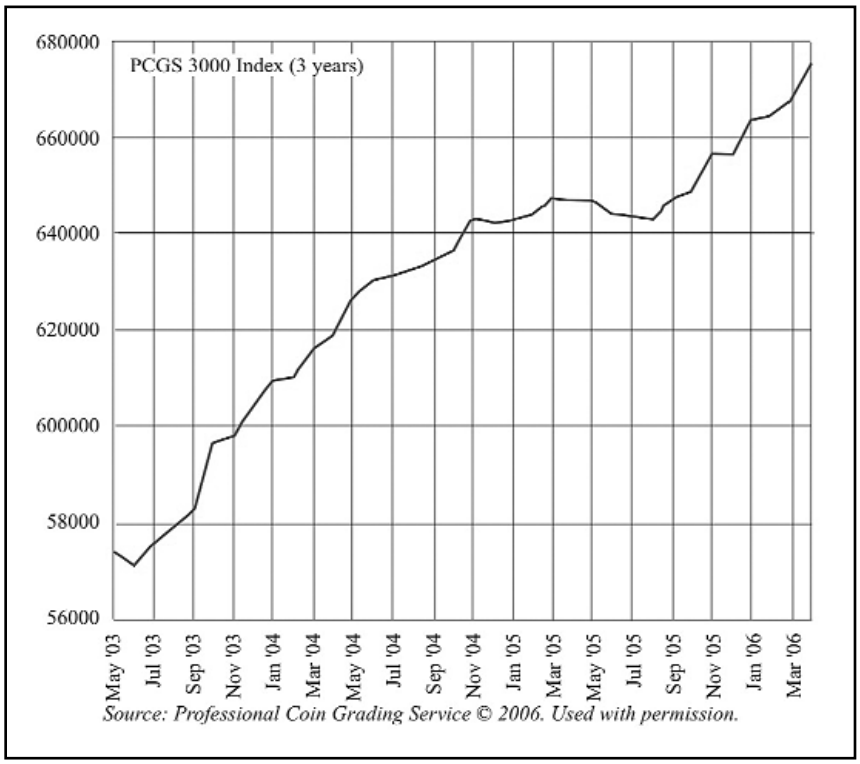
We next examine the CU3000 Rare Coin Index for the past ten years. Had you bought at any time in the past ten years and sold today, you would have walked away with a profit. How much of a profit? From May 2003, you would have averaged six percent per year.

CHART 28 PCGS CU3000 3 YEAR COIN INDEX



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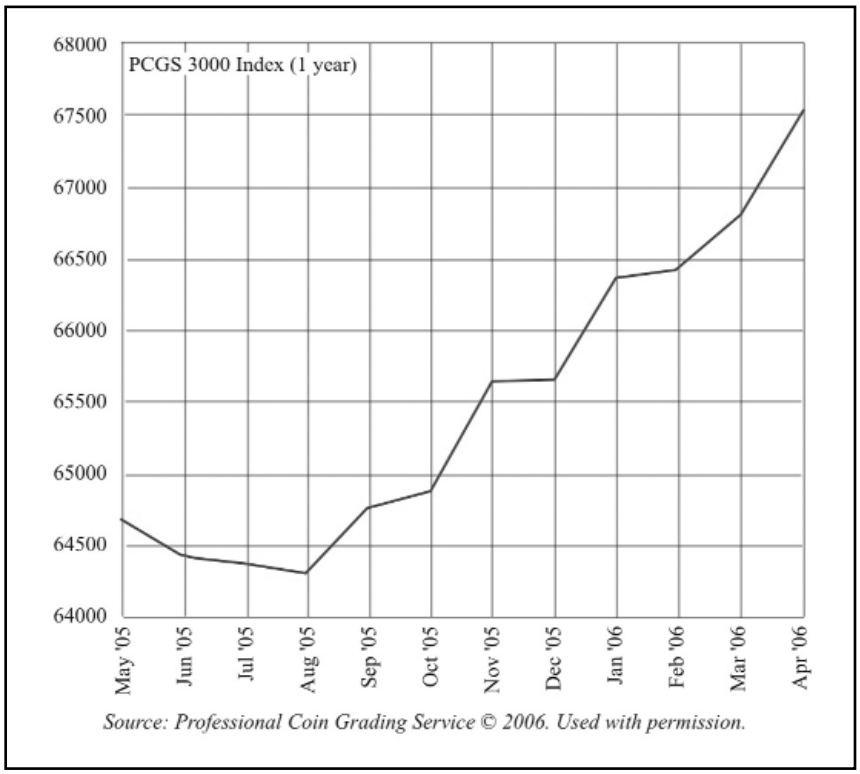
As you can clearly see from the three-year CU3000 Rare Coin Index, had you been a buyer anytime in the new millennium, you would already be making a profit. Had you even bought in early 2004, you would be up for the first six months, still not bad for starters.

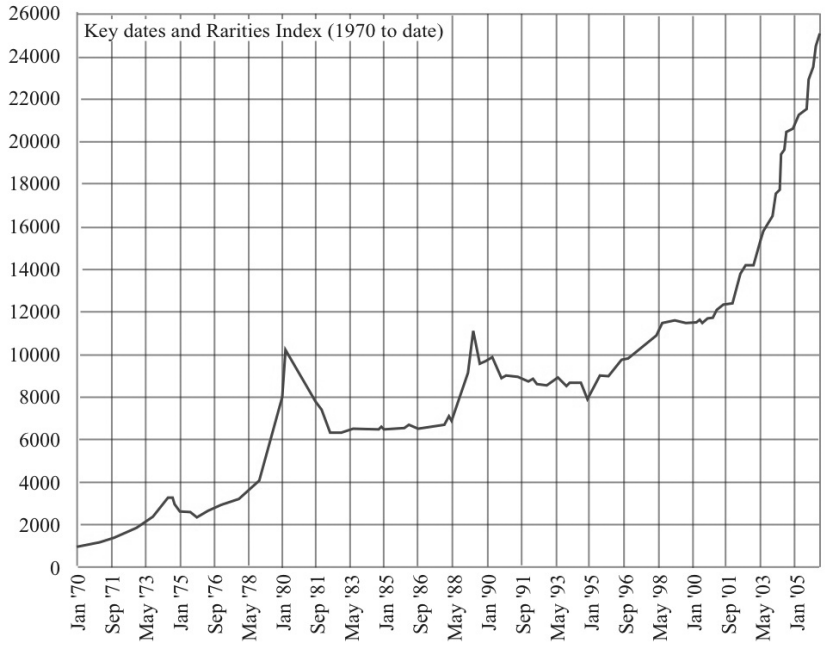
CHART 29 PCGS CU3000 1 YEAR COIN INDEX



Source: Professional Coin Grading Service © 2006. Used with permission.

Finally, the one-year CU3000 Rare Coin Index shows that the market is in the beginnings of a bull market. Why the beginning? The market is still down 66% from the all time high, making now the ideal time to buy. Remember the "Buy low, sell high" motto of all investors. But to buy what, that is the question?

CHART 30 PCGS CU3000 RARITIES INDEX



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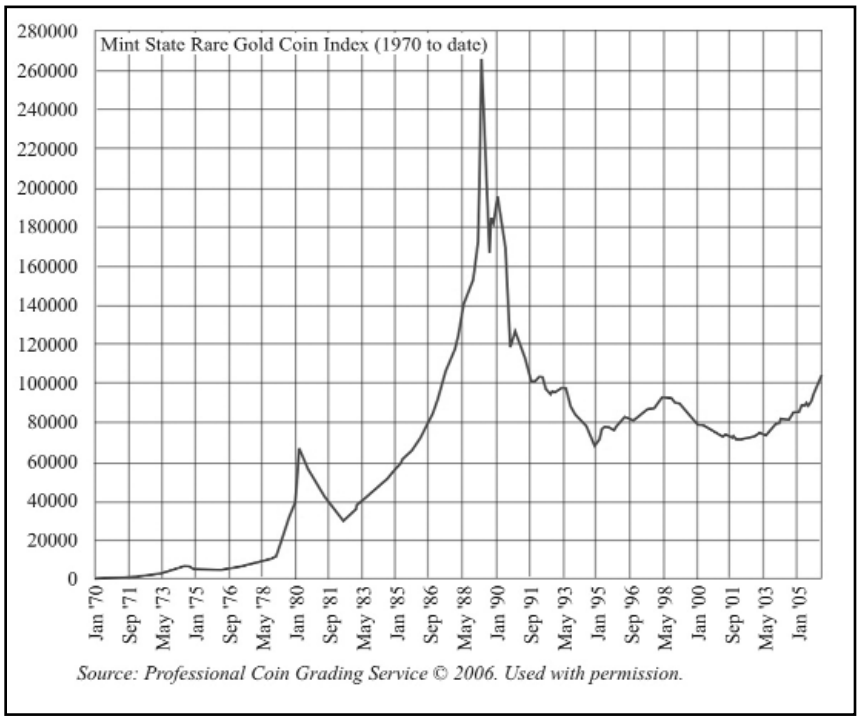
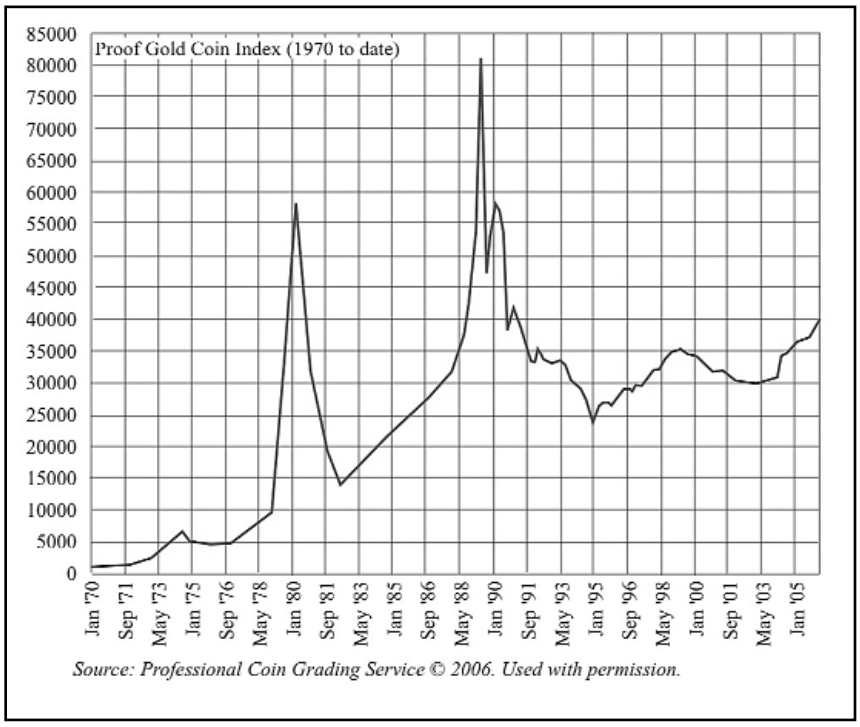
CU3000 Key Dates and Rarities Index. This group was up 2399% since 1970, or averaged 9.3% per year. If you came into the market at the all time high in May 1989, you will still have a profit of 123% over the period, or an average of 4.8% per year. Key Dates and Rarities are up 217% since December 1994, or averaged 10.6% per year for the period. While as a group they were not strong short term performers, coming in eighth place, they are the only group that consistently made money in the past thirty-five years regardless of when they were purchased. I like rarity, no, I really like rarity, so more, much more, about rarities is presented in the Portfolio section.

CHART 31 PCGS CU3000 MINT STATE RARE GOLD COIN INDEX



CU3000 Mint State Rare Gold Coin Index. Among my personal favorites and, and in second place as the most profitable group over the thirty-five year period, Mint State Rare Gold produced 8760% profits, or 13.7% percent average profit per year for thirty-five years. Had you spent your money at the top of the market in May 1989, you would be down 61%, or lost 5.4% per year for seventeen years. Had you entered the market in December, 1994 you would be up 51%, or 3.6% per year for the period. In my opinion, the coins on the Mint State Rare Gold Coin Index are grossly undervalued at this time.

CHART 32 PCGS CU3000 PROOF GOLD COIN INDEX



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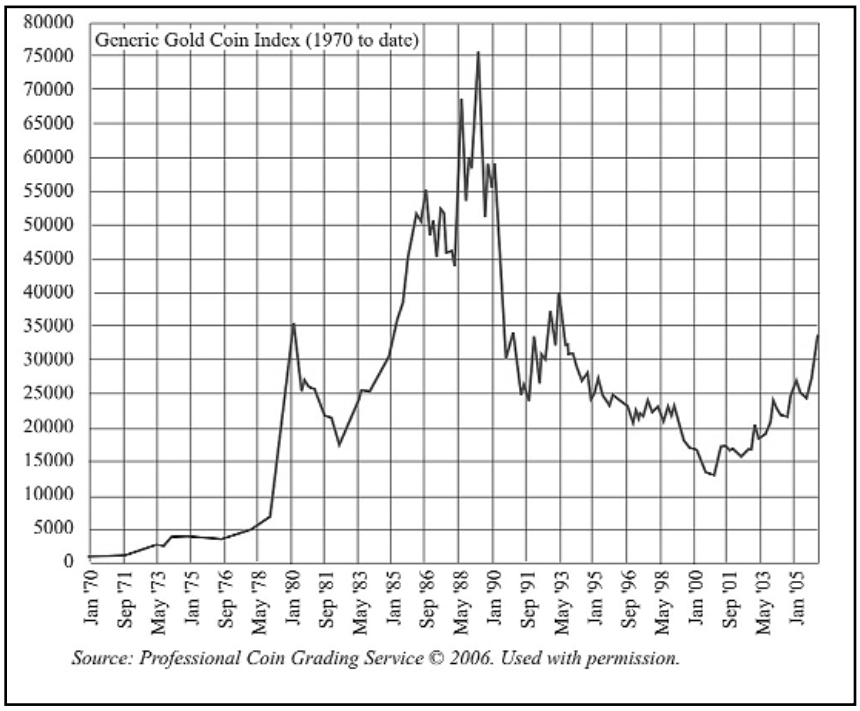
CU3000 Proof Gold Coin Index. Another among my personal favorites is Proof Gold Coins, are in sixth place. Money invested in January 1970 would have returned 3424% over thirty-five years, or 10.7% per year. While they have not preformed as well as they should have, producing 68% profit from December, 1994, or 4.6% per year for the period, they still offer excellent value. This area is also grossly under priced in Proof 65 or better, and makes an excellent buy for those who can both afford them and are able to locate such fine examples. Some of these proof coins belong in the Key Date and Rarities Coin Index.

CHART 33 PCGS CU3000 GENERIC GOLD COIN INDEX



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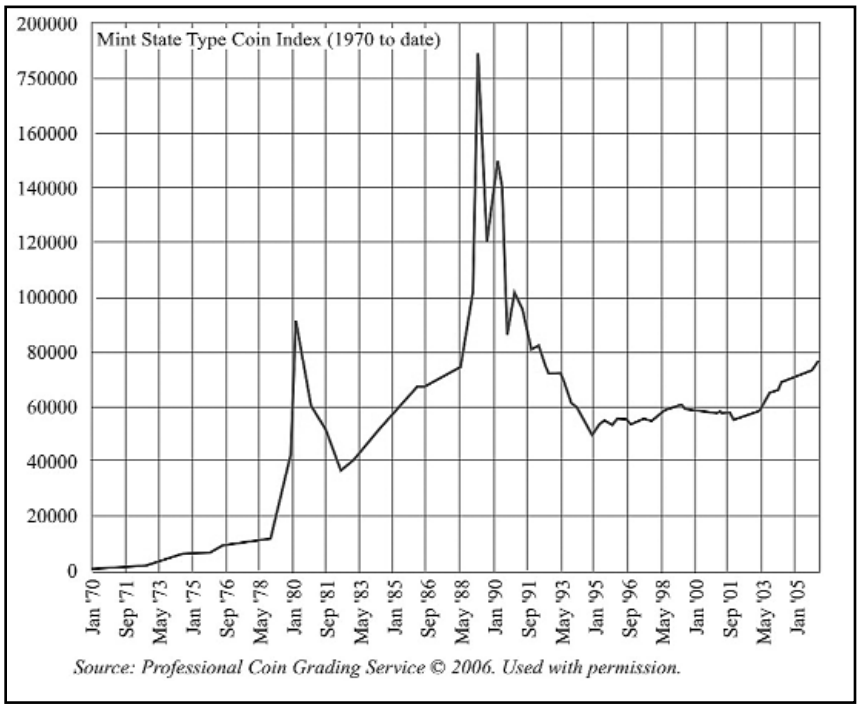
CU3000 Generic Gold Coin Index. One thousand dollars invested in Generic Gold Coins in January, 1970 would have produced a profit of 2557%, or an average of 9.8% per year for thirty-five years. The same investment made in May 1989 would have yielded a loss of 59%, or an average loss of 5.1% per year for seventeen years, not much better, and a similar investment in December of 1994 would have produced a loss of 35.2%. Generic Gold Coins placed ninth of the nine sub indexes. By definition, generic is not rare, and the entire point of investing is lost on generic coins. In my opinion, stay away from Generic gold coins unless you want to take a position in gold as bullion, then it will fit into your investment plan as another hard asset.

CHART 34 PCGS CU3000 MINT STATE TYPE COIN INDEX



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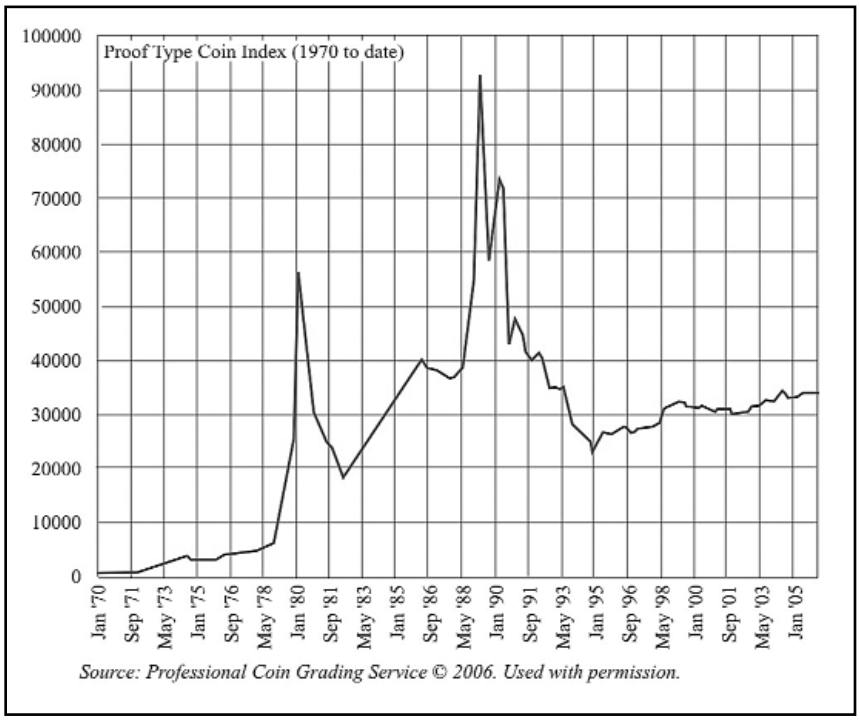
CU3000 Mint State Type Coin Index. Placing third is our old favorite Mint State Type Coins. It is in this area that much of the profit compiled in the Rare Coin Index comes from. A one thousand dollar investment in January 1970 would you put in you pocket at the time of sale over $71,000, or 13% per year for thirty-five years. It had the same large loss from the top as all other indexes except Key Dates and Rarities, down 61% from the market high of May, 1989, or a 5.3% loss per year for the period. Recovering slightly, a December 1994 investment yielded 55%, or an average profit of 3.8% per year for the period. I like Mint State Type coins, particularly if they are Mint State 65 or better and are better dates. They are still good values in when rare and in condition. I personally would stay with the nineteenth century types.

CHART 35 PCGS CU3000 PROOF TYPE COIN INDEX



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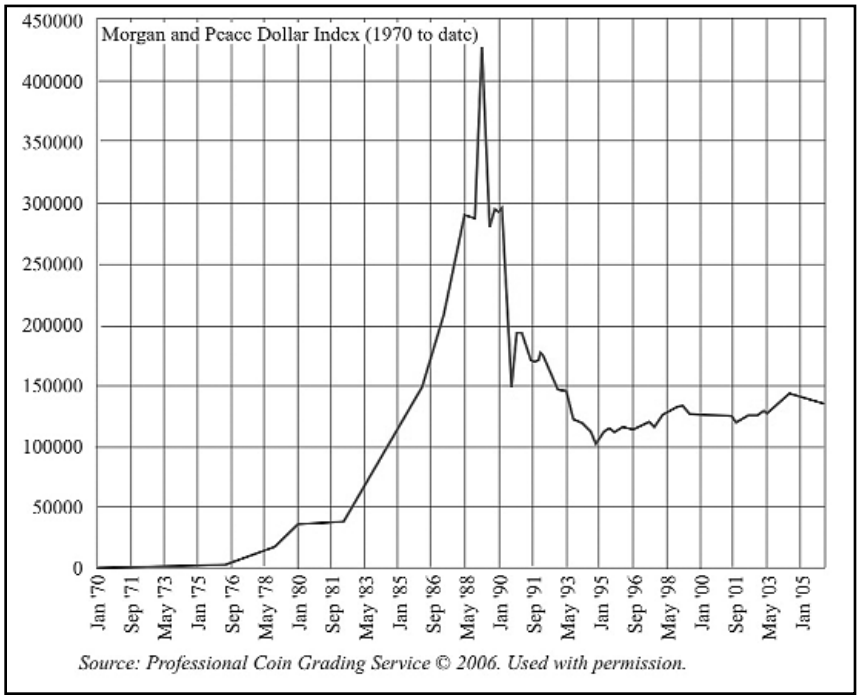
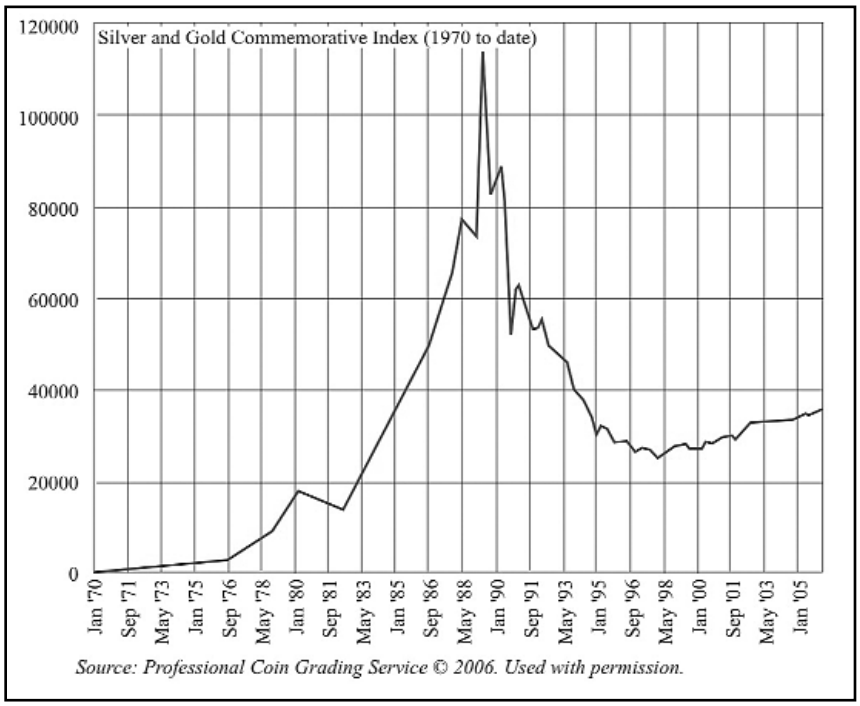
CU3000 Proof Type Coin Index. Proof type Coins were in eighth place, and no wonder. Nice proof type, particularly from the first half of the nineteenth century is still under valued and yet affordable. One thousand dollars invested in Proof Type Coins in January, 1970 yielded over $33,000 in the thirty-five year period, up 10.6% per year. They were losers from the market high, down 63% from May 1989 until now, or an average loss of 5.7% per year for the period. A December 1994 investment would have shown a 45.5% profit, or an average profit of 3.3% per year for the period. I like Proof 65 and better date Proof Type coins, and I really like Proof Type before 1840.

CHART 36 PCGS CU3000 MORGAN & PEACE DOLLAR INDEX



CU3000 Morgan and Peace Dollar Index. Morgan and Peace Dollars placed first for long term investing. And no wonder. Most dates are available in high quality and in quantity as well. So many hoards of dollars, from the U. S. Government Services Administration, Redfield, the Continental Bank, and the Binnon Hoard just to mention a few that come to mind, have come on to the market in the past thirty years that it is a wonder that dollars can make an investment portfolio at all. Dollars are saved by the long date and mint run, leaving plenty of date and mint combinations rare and scarce. An investment in Morgan and Peace Dollars would have shown a 13959% profit, or an average of 15.2% per year for thirty-five years. They are way down from the May 1989 high with the third worst showing at a 68.8% loss, or an average of a 6.6% loss per year for the period, and have not done any better since then. If you like dollars than you can only buy rare dates, as condition alone will not improve your return on investment.

CHART 37 PCGS CU3000 COMMEMORATIVE COIN INDEX



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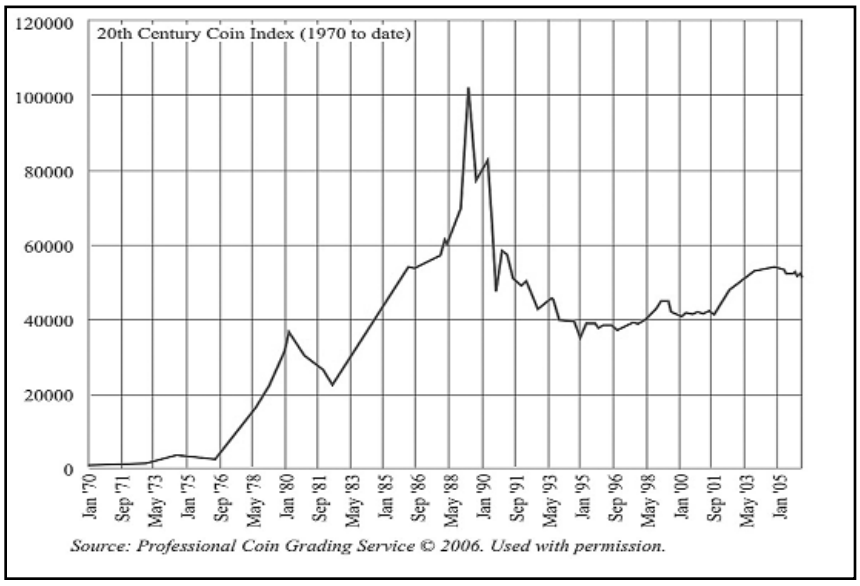
CU3000 Silver and Gold Commemorative Coin Index. Silver and Gold Commemorative Coins were in seventh place. They produced a 3498% profit from January 1970, an average profit of 10.8% per year for thirty-five years. They took a beating from the May 1989 high, loosing 69.6%, or an average of 6.8% per year for the period. They show almost no profit from December, 1994 or July, 2001, making them very much less interesting than almost all the other possibilities. While I can not say to stay away from them, I do not favor them and although I can't say why, the figures back my innate opinion.

CHART 38 PCGS CU3000 20TH CENTURY COIN INDEX



CU3000 20th Century Coin Index. A perennial favorite among new collectors and investors, coins on the 20th Century Coin Index are in fifth place of the financial producers of the Rare Coin Index. One thousand dollars invested in January, 1970 would have produced over $53,000, or 5256% over thirty-five years, or 12% per year. They have been under performers from May 1989 until present. Money invested in December, 1994 would have returned 47%, or 3.4% per year for the period, and they haven't done much better since because while they are desirable they are by and large not rare. Personally, while I think that the entire market as a whole is undervalued, I think that they are still relatively overvalued when compared to the Key Dates and Rarities, Mint State Rare Gold, Mint State Type and Proof Type. If you need to buy these coins for type then stick to the scarce and rare dates in condition, and with eye appeal.

Over the long run, depending on which group of coins you chose from the CU3000, the value went up from a low of 2399 percent to a high of 13,959% for the thirty-five years. What does this tell you? If you stick to the best grades and the rare dates, and you buy and hold quality and rarity, you are very likely to turn a pretty good profit.

Does this mean that all United States coins are a good investment? No, some coins are better than others. Can a collector or investor pick the winners using these research charts? No, but they point an educated consumer in the correct direction, and with the help of a Professional Numismatist, it dramatically improves the odds. However, as an investor you already know there is no investment in which the performance of the past thirty-five years assures the consumer of the performance for the next thirty-five years. Does this mean that what happened over the past thirty years can happen again over then next thirty years? Maybe, and since we are only at one third of the all time market high, there is no reason to think that they have lost any of their potential. On the contrary, with huge deficit spending and the possibility of inflation, I don't see a better option for diversification. Next, in Chapter 8 we will look at the coins that comprised the DiGenova-Berman portfolios in detail.