

BARRON'S

“Bond King Bill Gross Is Also the King of Stamps. Now He’s Getting Out”

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United States Treasures: The William H. Gross Collection **Siegel Auction Galleries**

You may know Bill Gross as the Bond King, but there’s another realm over which he presides: stamps.

Beginning in the early 1990s, the now-74-year-old billionaire built the largest and most valuable private collection of U.S. stamps in the world, exceeding other major collections by as much as \$20 million, according to his curator, Charles Shreve, at Siegel Auction Galleries.

“It’s remarkable in its totality,” he says.

Last Wednesday, Gross continued his formal exit from the market. That night Siegel sold 106 of his treasures at the Lotte New York Palace hotel in Midtown Manhattan, with hundreds of bidders in the room, on the phone, and online. The sale, the first in a series of four, generated \$10 million, breaking the \$9.1 million record for a single-day stamp auction set in 2007.

The auction “confirmed that stamps, along with rare art, can provide appreciation—both visually and financially,” Gross tells *Barron’s*.

Gross’ arrival in 1993 helped to reinvigorate stamp collecting, and now his abdication should give it new life. Gross stopped collecting because, as he puts it, he “filled up all the spaces.” By winning too completely, he ruined the game.

“What’s coming up in the auction is the thrilling thing,” as buyers get the chance to make new acquisitions, Shreve says.

Ten years ago, Gross began to unwind, selling his Great Britain collection. Then his Scandinavian collection. Five years ago, the Smithsonian National Postal Museum opened the 12,000 square-foot William H. Gross Stamp Gallery, the largest such gallery in the world, thanks to his \$10 million donation. Gross differed from many reclusive leading collectors by making his holdings available to the public.

“It’s just a gradual process,” he says, “where you give a little back, not just to philanthropy but to the industry, so that eventually the nice items...can move into other hands.” Proceeds from the latest sale will go to Doctors Without Borders and the New York Times Neediest Cases Fund, Gross says, and he’ll announce more later.

Gross amassed his personal fortune over decades of managing portfolios of corporate and government bonds, derivatives, currencies, and, sometimes, stocks. He co-founded Pacific Investment Management Co. in 1971 and helped to pioneer active bond trading at a time when bonds were mostly stored in vaults. He led Newport Beach, Calif.-based Pimco to prominence and dominance. It now oversees \$1.7 trillion.

He and Pimco parted ways in 2014, when he quit or was fired, depending on whom you ask and when; he sued, and last year received \$81 million in a settlement.

Collecting stamps and investing in bonds don’t, at face value, share many similarities. But they’re both pieces of paper, with markings on them, to which society has agreed to ascribe value. Bonds have big promises behind them, corporate or governmental, but stamps’ value comes down to the markings. Some are intuitively value-additive, like Abraham Lincoln’s signature, but others are tougher to discern: a “fancy rate handstamp,” whether the “strike” (an ink imprint) is on the “cover” (envelope), whether the (stamp) “plate” is “cracked” (split). Errors—if the picture was accidentally printed upside-down—are prized.

Gross joined the market abruptly, cold-calling Shreve in about 1992 wanting to bid in an upcoming sale.

At first, he bought under the pseudonym Monte Carlo, named for his street in Laguna Beach, Calif. But he caught attention after spending more than \$2 million at the 1993 sale of Ryohei Ishikawa’s collection—“that’s when he really stepped out and started spending a lot of money,” Shreve says. It “immediately impacted the stamp market in a very positive way.”

The Ishikawa sale ushered in a boom that lasted until 2001; in 2005, says Siegel Auction Galleries President Scott Trepel, “it took off again.’

Now, he says, “I see this sale in 2018 kicking off a new era of collecting and interest in the stamp-collecting world.”

When Gross started, he knew a little about the opaque world of collectibles from buying fine art—such as how potential buyers weigh who’s previously owned a work, and how much it sold for last time, preferably through a prestigious auction house or dealer.

“I thought it would be much like the art market, where there would be a provenance and you could go back in prior auctions and check it related to inflation and GDP growth and wealth creation,” he says. “As Charles [Shreve] told me, that approach was unique; nobody had ever thought about that in stamps.”

He collected data, from Bloomberg and elsewhere, on inflation, interest rates, and GDP growth, and used that annual rate of wealth creation to index against the few data points from “important” prior auctions, like the Ishikawa sale, going back to 1910, using vintage auction-house catalogs that themselves are collectible. He says he tried “to correlate it to what today’s price should be relative to what 1993’s price was.”

Adds Gross, “That similarity, that financial connection that I had with bonds, translated to stamps.”

He focused on stamps that passed through those benchmark sales, where reliable prices and good provenance intersected. He found stockbroker Alfred H. Caspary, whose collection—one of the greatest “in philatelic history,” according to the American Philatelic Society—was auctioned between 1955 and 1958.

Gross was “obsessed with knowing what [a stamp] sold for Caspary in the ’50s,” Shreve recalls.

Gross estimates that his hobby has been a profitable one: “Some stamps sell for less than what I paid,” he said before last week’s auction began, but generally his stamps “have generated returns better than bonds, not as good as stocks.”

Unlike his status in the bond market, Gross hasn’t gotten his due in the stamp-collecting world, according to his collection’s curator.

“Some people in stampdom said Bill wasn’t a true philatelist and he just spent money,” Shreve says. “That is simply not true. At the beginning he was just spending money, but he quickly learned, faster than most philatelists, about the nuances of the market and what was desirable.

He will be remembered long after we're all gone as probably the greatest philatelist of the late 20th century, early 21st century."