



February 2009 Newsletter

Pastor-Genève News

As global financial markets continue to show instability, wealthy collectors and investors around the world are taking a closer look at rare hard assets to diversify their portfolio and protect their wealth.

We continue to see strong offerings and activity at the dealer level and the jewelers and dealers we work with are reporting robust sales in the rare color categories. We are looking forward to a buoyant spring auction season as the most recent auction season in the fall showed solid results in Hong Kong, Geneva and London.

We just had an editorial in the January Edition of a wealth magazine in Singapore and we have another editorial coming up in the March edition of The Sovereign Individual, an offshore financial newsletter based out of Ireland.

We continue to see strong activity from the readers of "The Global Market For Fine Art", which we co-sponsored.

We strongly advise our customers to increase their allocation towards rare Argyle pink diamonds in higher color grades as the supply numbers coming out of Australia are much lower than anticipated, further production cuts are expected and international collectors and investors continue to acquire these rare pieces for their personal holdings.

All of the stones at the last tender sold for 10 to 30 % above the reserve price and Rio Tinto, the parent company, has taken over the marketing of pink diamond production, working closely with 15 dealers around the world who have thousands of colored diamond customers

Diamond News

Chicago Sun Times

Diamonds are not only a girl's best friend, they also may be an investor's best

bet.

The day after last year's October stock market crash, a single unmounted 64.83 carat, pear-shaped diamond pendant sold at Christie's for a world record price of \$6.38 million.

The buyers were Shlomo and Alisa Moussaieff, London-based jewelers whose clients have included Richard Burton, Imelda Marcos, Stavros Niarchos, the sisters of the late Shah of Iran, Zsa Zsa Gabor and Joan Collins.

The Moussaieffs own and run the London Hilton Jewelers. but the real action takes place in a small back room where they create dazzling pieces that sell for half a million dollars and more.



Prime Magazine, Singapore January 2009

Coloured diamonds are in style- not just among celebrities but also among serious gem collectors and investors. Witness the fact that last year alone Christie's sold three coloured diamonds at record-breaking prices that made international headlines. In fact, the value of coloured diamonds has consistently increased over the last 20 years, with the highest grade of these coloured diamonds growing 10 to 15 % a year.

But what is it about these rare gemstones that makes them so sought-after? First off, coloured diamonds are extremely rare. For every 10,000 carats of coloured diamonds, only 1 carat is a coloured diamond. Coloured diamonds are also the most concentrated form of wealth. Gems of millions of dollars can fit snugly inside your purse, travel with you quietly and legally and can be sold in most major cities. As the disclosure of coloured diamond ownership is not required in most countries, and ownership is not disclosed on any certificates, they appeal to high-net worth individuals who are seeking investment opportunities.

U.S. Nov. CPI for Jewelry +7%

The consumer price index (CPI) for jewelry in the U.S. rose 6.8 percent year on year during the month of November to 154.68 points. The rate -- based upon a

reference of average prices in 1986 set at 100 points -- was slightly lower than in October. For the watch and jewelry categories combined, the index for November was up 6.4 percent to 147.87 points.



Michael Hill Int'l 1H Sales +9%, Same-store +1%

Michael Hill International sales rose 8.7 percent to NZD 227 million (\$135 million) in its first fiscal half ending December 31, 2008, as the company benefitted from the opening of new stores and a weak exchange rate for New Zealand's currency against Australia's and Canada's currency.

The Wittelsbach Diamond Made History Again At Christie's

The \$24.3 million paid by Lawrence Graff at Christie's Jewels: The London Sale set two world records: for any diamond ever sold at auction and for any jewel ever sold at auction. The estimated selling price was \$15 million. The first record of the stone was in 1664 when King Philip IV of Spain gave it to his 15 year old daughter. In 1722, the diamond came into the hands of the house of Bavaria with the marriage of Leopolds granddaughter to the crown prince of Bavaria. In 1931, the Bavarian crown jewels were sold at auction in London. It was acquired again at auction in 1964 by an anonymous buyer, who consigned it to the 2008 sale.

The appearance of the stone is about to change dramatically. Everyone agrees the stone was bought to be re-cut. It may end up being a 30 carat deep blue, VVS stone, see see the color in the stone." Said Lawrence Graff, the new owner. "It will be worth \$100 million retail."

AOL Money Winter 2009

If your Christmas stockings may be as deflated as your current stock portfolio, now is the time to consider giving the gift of natural fancy colored diamonds -

an extremely rare gift that keeps on giving.

Investors with stock in most sectors have been on a financial roller coaster over the last year and face an uncertain future. If you held stock in Research in Motion (RIM) you would have seen it go from more than \$118 USD per share in December 2007 to 38 \$USD per share in December 2008. Or, if you held stock in General Motors you would have seen it go from over \$28 USD per share in December 2007 to \$4 USD per share in December 2008.

Comparatively, prices of natural fancy colored diamonds from the exclusive Argyle mine have increased significantly over the last few years - with the rarest gems doubling in value.



"Natural colored diamonds have intrinsic value and produce high financial returns," explains Colin Ferguson, CEO Carats Investments Inc. "Unlike traditional or 'white' diamonds, natural coloured diamonds are rapidly increasing in rarity and value, as mines producing them near depletion. For every 100,000 carats of flawless white diamonds, only one carat of gem-quality colored diamond is found."

On average, natural fancy colored diamonds have increased in value by 10 to 15 percent annually since price monitoring began in the 1970s, with the greatest increase coming over this last year.

"Natural Fancy Coloured Diamonds even retain their value during recessions," says Ferguson. "Sotheby's and Christie's auction houses have been setting records on the back of Natural Fancy Coloured Diamonds."



Fundamental Diamond Values

The history of the diamond business is that diamonds were always worth cash. The refugee escaping war, the rich divorcee, the diamond dealer in a booth on 47th street all knew that diamonds were synonymous with cash. Diamonds always were and always will be an ultimate, transportable store of value that is easily convertible to cash. I believe in the future of diamonds because I believe in the honest and competitive nature of the people in the trade.

South Africa's Nov. Diamond Production -27%

South Africa's diamond production fell 27.4 percent in November 2008 compared with one year earlier, according to a preliminary report by Statistics South Africa on the country's mineral production for the month.

China Market Report

It is believed that the Chinese economy will grow approximately 8 % in 2009. China's economic growth slumped to 9 percent for 2008, according to numbers released by the government Thursday -- in line with expectations, but still the slowest rate the nation has seen in seven years.

Consumer spending has mostly held up in China, as people there do not carry as much debt as their American counterparts and can continue to spend. In a recent interview, Lin Qiang, president of the Shanghai Diamond Exchange, said "from 1979 to 2007, China's economy grew on average 9.8 % per year, and diamond imports during the first three quarters of 2008 grew 40 %. Overall, I believe the Chinese diamond market is healthy and demand for diamonds is still relatively stable. The government also has a 0 % import tax and 4 % value added tax on diamonds, which is very low compared to other industrialized countries. According to the national bureau of stats in China, year on year retail sales growth was 20.8 %, to \$143.8 billion dollars. The market has improved dramatically, especially for stones under 1 carat.



China's Diamond Imports +22% in 2008

China's Shanghai Diamond Exchange (SDE) trade increased 30.5 percent year-on-year to \$1.307 billion in 2008. Diamond imports and exports increased 29.1 percent from the previous year to \$1.174 billion -- including imports of \$535 million, up 21.7 percent. Bonded trades among members of the SDE amounted to \$100 million in 2008, up 78.6 percent from 2007.

Reuters Diamond Report

The jewelry industry is seeing an interesting spark of interest to a new trend: Natural Color Diamonds. While the classic white diamond will always remain beautiful and traditional, there is a great movement towards the use of Natural Color Diamonds in fine jewelry. Consumer perception of color diamonds was once limited to the pink, brown and yellow diamonds. However, over the past few years, the growing trend of Natural Color Diamonds has spread rapidly throughout the industry expanding the way that designers are incorporating natural color diamonds into their jewelry. Some of the amazing rare natural color stones used are blue, green, orange, purple, gray, red and black.



The Natural Color Diamond Association (NCDIA) was formed in 2003 as an international trade organization dedicated to increasing awareness of color as a unique and valuable attribute in diamonds. The mission of the NCDIA is to increase the awareness of Natural Color Diamonds by educating both the jewelry industry and consumers about the many wonders and benefits of these beautiful and rare stones. NCDIA is comprised of over 200 members boasting some of the most amazing designers in the marketplace such as: Christian Tse, Erickson Beamon, Manak, Martin Flyer, Amgad and Le Vian, to name a few.

Consumers should be aware of the basic differences in purchasing a traditional white diamond versus a Natural Color Diamond. With the many "how-to" websites and books that are dedicated to helping individuals purchase a diamond, a new set of rules applies to the 4 C's when making this exciting investment. Some of the interesting facts that impact the price when purchasing a Natural Color Diamond are Color, Carat, Clarity and Cut. Their importance is listed beginning with the highest relative factor.

-- Color -- With Natural Color Diamonds, the first thing to look at is the color intensity which ranges from Fancy Light - Fancy - Fancy Intense to Fancy Vivid. The rarity of a Natural Color Diamond will affect the price of the diamond. The more common colors such as gray, brown and yellow will generally have a lower cost than rarer Natural Color Diamonds. The colors that appear less frequently in nature such as pink, blue, green, purple and orange are more valuable and more expensive. The rarest and most expensive color is red.



-- Carat -- Within the Natural Color Diamond category, large gems are extremely rare. This makes larger fancy color diamonds that are found exponentially more expensive.

-- Clarity -- Unlike white diamonds, the clarity factor is less important in a Natural Colored Diamond. This is because inclusions within these diamonds are not as easily seen due to their natural color.

-- Cut -- Natural Color Diamonds are cut to reveal the most vivid color, unlike colorless diamonds which are cut to reveal maximum sparkle, for example, the "Round Brilliant" cut. Interestingly, a Natural Color Diamond cut in the "Round Brilliant" form would actually take away some of the sparkle from the intense color.

An important factor that the NCDIA advises to consumers is to have all Natural Color Diamonds inspected when purchasing a piece. This will ensure that you are buying a diamond that is indeed natural and has not been treated. In the marketplace, many black diamonds are in fact treated diamonds, although they can be found in nature. With the certification from a major gem laboratory, the origin of color should be listed as "Natural".

There's A Color For Everyone ...Because Natural Color Diamonds are so rare, they are a great investment for any jewelry investor, collector or anyone looking to buy! These Natural Color Diamonds allow a buyer to express their own personal style by selecting the color that is right for them, or someone special. Robert Lucien May, executive director of the NCDIA says, "A natural Color Diamond is a piece of forever with the excitement of color. It is the perfect gift of love, with a unique and colorful personality."

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