



Pastor-Genève News

After the completion of the major auctions in New York, Hong Kong and Geneva in the Spring of 2009, the results from major sales continue to show solid activity in various segments of the market. Buying showed strong signs in the pieces ranged from \$25,000 to \$100,000 in all major markets as global collectors, investors and jewelry buyers brace themselves for potential currency devaluation and inflation because of loose monetary policy around the world.

Several jewelers reported results in the last few weeks and although sales were down in the US, overall results from emerging markets has been quite strong and several retailers reported flat or slightly rising results, indicating strong stability and activity in the market.

We have been looking at several interesting pieces over the last couple of months, including rare Argyle pink diamonds, pumpkin orange a deep purple stone as well as a very rare aquamarine-colored diamond. For more information on client offerings, please feel free to contact your advisor.

The new version of our website is going online as of June 1, 2009. Please feel free to browse several of the new articles and reports on the market and enjoy the flashplay of pictures of the beautiful and rare colored diamonds on display.

DiaMine News

Diamine is looking very closely at a new gold project in Northern Ontario. With gold and diamonds continuing to make news as supply gets tighter around the world, DiaMine wants to be able to diversify their land holdings into other related commodity based assets to capitalize on the growth of precious metals. The project is located in one of the most promising areas of Ontario, with proven gold reserves in the surrounding area.

DiaMine's plans for drilling over the next few months are still on track in the Coral Rapids project area and if the first drilling results are any indication, DiaMine is looking forward to the follow-up program in the coming months. With stock markets up, gold and other commodities continuing to rise and investors looking for hard assets, the long-term potential of these two very promising markets makes it imperative that DiaMine is well positioned in both

Diamond News

London Jewelry Sale at Bonhams Approaches \$2M

Bonhams' London sale of fine jewelry on April 29, 2009, came in at almost \$1.9 million. The sale featured 136 lots, of which 68 percent were sold. Seventy percent of the buyers were privates. A pear-shaped, fancy light pink diamond, weighing 1.47 carats, sold for \$30,000, and a round brilliant-cut diamond weighing 5 carats, D, VS1, sold for \$194,000, against a presale estimate of \$117,600 to \$147,000.



Recessionistas Scoop Up Big and Blue Diamonds

Australian jewelry makers say that diamonds are becoming an investor's new best friend in the wake of the property slump and the stock market slide. In recent months the value of smaller mainstream white diamonds has fallen sharply, but some jewelers here say the market for larger stones is growing. So-called "recessionistas" apparently see these diamonds as a good investment. The fancy colored diamond market is also surprisingly strong, as evidenced by the success of a global auction of a rare collection of blue diamonds from the Argyle mine.

U.S. Jewelry Price Index Continues to Rise in April

The U.S. consumer price index (CPI) for jewelry rose 2.6 percent year-on-year to 157.97 points during the month of April, according to statistics provided by the Bureau of Labor Statistics (BLS). The index was slightly higher than it was in March. The index has now topped 150 points for 15 consecutive months, before which it had not touched 150 points since February 1998. The monthly index is based upon a reference point of average prices in 1986, which is set at 100 points. For the watch and jewelry categories combined, the index for April increased 2.5 percent to 150.1 points, the highest it has been since October 1996.

Macao 1Q Retail Sales +9%

Macao's retail sales for the first quarter of 2009 rose by 9 percent to \$629 million. Retail sales of watches, clocks and jewelry, at \$134 million, took the largest share of the quarter's sales, with 21 percent. Sixty-six percent of interviewed local retailers reported a decrease in sales volumes in the quarter. About 51 percent reported stable prices, 7 percent noted higher prices, and 42 percent saw price declines.

FUQI 1Q Sales +41% to \$109M, Profits +51% to \$10M

FUQI International's net sales at its wholesale business rose 27 percent to \$96.8 million during its first fiscal quarter of 2009, and retail sales surged, growing more than tenfold to \$12.5 million from \$1.2 million one year ago. Net profit was up 51 percent to \$9.7 million. Gross margins improved 510 basis points to 16.5 percent due to an increase of product segments and higher prices for precious metals.



Richemont FY Sales +2%

The company's jewelry group, which includes Cartier and Van Cleef & Arpels, was the only segment to register an increase in operating profits, up 2 percent to \$1.1 billion. Jewelry sales rose 4 percent to \$3.8 billion.

Giorgio Armani '08 Jewelry Sales Flat

Giorgio Armani's sales increased 1.5 percent to \$2.16 billion in 2008. The company didn't disclose its profit for the year. Sales growth was particularly strong in mainland China, where revenue increased 30 percent. By contrast, revenue in Japan declined 4 percent. Sales of cosmetics, jewelry and watches remained flat.

Financial Times Spring 2009

Battle for rough stones: A world of high drama and uncertainty

In periods of social and financial catastrophe, diamonds have traditionally proved the safest place to put your capital. The Russian émigrés of 1917 escaped with nothing but jewels sewn into their corsets; dictators Juan Peron and the Shah of Iran fled into exile with fabulous collections of gemstones. No wonder the big names of London's Bond Street are engaged in one of the highest stakes competitions in history to secure exceptional rough diamonds that may yield a masterpiece. Forget gentleman's rules, these days it is every house for itself.

"The reality is that those exceptional coloured stones are so, so rare that it would be overstating the case to call it a market," says Varda Shine, managing director of the De Beers Group-owned Diamond Trading Company. "It can be 10 years before you find an important blue stone or a nice pink. We have not found anything magnificent in special colours for a while now and I don't see any new supply for these exceptional coloured stones. They are so unique the trade in them will not suffer at all."

“We are seeing much demand,” says Keith Gerrard, managing director at Leviev. “A large, exceptional diamond today is valued at a higher price than 12 months ago. The fact is that such a diamond bought a year ago more than retains its value today. The diamonds we sell – from mines we own – account for only the top 5 per cent of all diamonds mined in the world. The very high-end clientele is increasingly choosing our extraordinary diamonds as a safe, tangible, secure component of their wealth portfolio.”

Nir Livnat, CEO of the Steinmetz Group says he had a call from a client who wanted to buy a very important diamond. The group has sold historic rough and polished diamonds for more than 70 years, including the 203.04-carat De Beers Millennium Star.

“I spoke to five or six people in the business who I knew had such a stone and none of them wanted to sell. We are finding that, in the current climate, the diamond is the last possession a person will part with. People are nervous and the market is very slow, but that’s because diamonds of the highest quality are valued as an investment,” he says. “I remember when a pink diamond would sell for \$5,000 per carat; now it’s \$120,000 per carat, and that’s not even for an intense colour,” says Mrs Moussaieff. When Moussaieff bought the rough blue, Mrs Moussaieff declared: “This stone is the most magnificent example of a blue diamond to come on to the international market for 15 years. It will be bought by a cold-blooded investor.”



Laurence Graff is similarly bullish. In 2006, the Graff-owned South African Diamond Corporation acquired the 603-carat Lesotho Promise rough diamond for \$12.36m. It was the 18th largest diamond ever mined, and Mr Graff set every D-flawless stone from the rough into a single necklace – for which he already had a buyer in mind.

According to Josie Goodbody, Graff’s spokeswoman, the said buyer is “currently considering” the piece, priced at a rumoured £50m (\$73m). Meanwhile, a sister stone to the Lesotho, the Lesteng Legacy (493-carats from the same mine) was bought in late 2008 and is being cut into what has already been christened the Light of Lesteng.

“People want to buy something that will hold value,” says Mr Livnat. “What we don’t have are the people who would have previously bought pieces of jewellery for love or fun.”

Ms Shine says: “Jewellery bought by investment bankers on their bonuses has suffered. But the large rough stones appear literally once in a blue moon, so they inevitably do better than anything else.” The jewellers, dealers and agents invited to tender for the most important rough diamonds are a well-kept secret and it is a sign of the times that when a jeweller acquires rough, he “allows” his identity to be known.

Yet buying a rough stone is not without risk. "Nature is fickle and even the experts cannot be right every time," admits Mr Coxon. "Some rough diamonds simply blow up on the polishing wheel if they cannot take the stress of the cutting process. It must be remembered that over 50 per cent of the volume will be polished away into powder. A tint of top light brown or graining lines in what might have seemed like a potential D-colour internally flawless diamond would halve the rarity and value at a stroke."

Mr Livnat says: "It can take anything from six months to three years to cut the big stones and you only have your experience and judgment to trust that what will emerge from the stone is a masterpiece."

Mrs Moussaieff calls buying a rough diamond "an inspired and intelligent guess; nobody could have guaranteed that my blue would be such a fabulous, lively vivid colour". But the element of high risk and potentially huge loss is relative.

"The public does not understand that the supply outlook is flat," says Mr Coxon. "The collectors certainly fear that, and over the last five years coloured diamonds [both rough and polished] have never been more in demand. The truth is, there will not be an increase in supply for the next 15 years." And so the battles rage.

Auction News

Sotheby's Names Buyer of 7.03ct Blue Diamond

Sotheby's has named Joseph Lau Luen-Hung as the buyer of the cushion-shaped 7.03-carat, vivid blue, IF diamond that fetched a record-breaking \$9.48 million at auction last week. Lau, a real estate investor who owns a 71 percent stake in Chinese Estates Holdings, and is ranked as Hong Kong's fifth richest person by Forbes Magazine, with a net worth of around \$4 billion, is a renowned collector and connoisseur. He has named the stone "Star of Josephine."

Christie's Geneva Jewels Sale Tops \$19M, 66% Sold by Lot

Christie's Geneva sale of jewels totaled \$19,586,628 and was 66 percent sold by lot. The four top lots, all diamonds, sold for more than \$1 million each. The top lot was a rectangular-cut, 30.52-carat, D, flawless diamond, which sold for almost \$3,173,394, or \$104,000 per carat.



Highlights of Christie's Hong Kong Jewels Sale

Christie's Hong Kong will hold its magnificent jewels sale on May 26, 2009. Leading the sale is a 20.70-carat, D, flawless diamond pendant, mounted with a 10.07-carat, pear-

shaped, D, internally flawless diamond. Both stones are type IIa. Christie's will also auction a suite of 56 colored diamonds in a range of hues, certified as fancy deep, vivid and intense pink, blue, yellow and green, of 14.67 total carat weight, with a presale estimate of between \$1.35 million and \$1.9 million. The final selling price for this piece reached \$1.9 Million. Over 90 % of the lots on offer sold for over \$30 million dollars, with several notable colored diamond sales, indicating the strength and stability of the market during present economic conditions.

Geneva, Christie's & Sotheby's

Shape	Size	Color Grade	Price
Oval	10.06	Fancy Light Yellow	127,300
Radiant	31.06	Intense Yellow	554,500
Pear	5.29	Intense Pink	2,266,500
Marquis	18.13	Vivid Yellow	1,178,500
Radiant	7.03	Vivid Blue	10.4985 M
Pear	6.61	Fancy Brown Yellow	50,000
Radiant	13.36	Intense Yellow	291,000
Radiant	57.02	Intense Yellow	1.323 M

Hong Kong, Christie's

Shape	Size	Color Grade	Price
Oval	1.00	Fancy orangey Pink	\$32,467
Cushion	3.04	Fancy Yellow Brown	\$12,175
Round	0.23	Deep br. Y. Orange	\$13,798
Round	0.2	Fancy br. Pink	\$13,798
Round	0.17	Intense purplish Pink	\$13,798
Cushion	40.86	Light Yellow	\$812,987
Pear	1.41	Light to Intense Yellow	\$9,740
Rectangle	5.01	Fancy Brown Yellow	\$14,610
Radiant	2.02	Intense Yellow	\$38,961
Old mine Cut	2.77	Intense Yellow	\$56,818
Square	7.78	Vivid Yellow	\$376,623
Heart	1.46	brownish Pink	\$35,714
Pear	8.41	Light Pink Brown	\$235,901
Oval	2.1	Vivid Yellow Orange	
Oval	1.54	Vivid purplish Pink	
Oval	1.53	Deep greyish ye. Green	
Marquis	0.57	Fancy Blue	
Pear	0.51	Vivid orangey Yellow	
Pear	0.31	Deep purplish Pink	

Pear	0.3	Intense Blue	
Oval	1	Intense Pink	
Oval	0.96	Intense Green	
Oval	0.92	Intense Pink	
Pear	0.74	Intense Orange	
Oval	0.72	vivid greenish Yellow	
Oval	0.72	Intense purplish Pink	
Oval	0.72	Intense Green	
Oval	0.71	Intense Blue	
Cushion	0.66	Intense Yellow Green	
Pear	0.65	Intense Orange	\$1.9 M



Mining News

South Africa's 1Q Diamond Production -52%

South Africa's diamond production in the first quarter of 2009 fell 52.2 percent from the preceding quarter, according to data published by Statistics South Africa (SSA). Diamond tied with chromium for the sharpest production decline of all the minerals.

ALROSA Increases Reserves, Board Approves Lower '09 Estimates

ALROSA increased ABC1 reserves at its Internatsionalnaya diamond pipe by 14.1 million carats, and decreased C2 reserves by 890,000 carats. ALROSA's subsidiary Almazy Anabara increased ABC1 reserves at the Solur East placer by 5.9 million carats, including an increase of 864,500 carats in C2 reserves. In other ALROSA news, the supervisory board approved the company's new plans to lower extraction costs by 11 percent to \$2.1 billion this year. The company projects that sales receipts will contract 8.7 percent to \$2.5 billion. The net profit of the core company will plummet 70 percent to \$14 million.

Economic News

Bloomberg News Spring 2009 - Inflation

May 23 (Bloomberg) –David Swensen, the top-ranked college endowment manager in the past decade, said individual investors should own inflation-protected Treasuries because U.S. economic recovery efforts may lead to an increase in consumer prices.

“We’ve had this massive fiscal stimulus, massive monetary stimulus, and it’s hard to see how that doesn’t translate into pretty substantial inflation, or at least pretty substantial risk of inflation,” Swensen, Yale University’s investment chief, said in an interview on the “Consuelo Mack WealthTrack” television show that aired yesterday. Treasury Inflation- Protected Securities “should be in every investor’s portfolio,” he said.

President Barack Obama’s administration on May 11 raised its estimate for this year’s federal deficit by 5 percent to a record \$1.84 trillion as the recession reduces tax receipts and increases the costs of propping up the economy. “The stimulus, the significant government actions in the last six months have focused the heads of a lot of investors on potential inflation,” James Platz, a fund manager at American Century Investments in Mountain View, California, said in an interview. The firm oversees \$24 billion in fixed-income assets, including TIPS.

Bloomberg News May 2009

Marc Faber argued that a situation where a lot of liquidity has been pumped into the system chasing fewer assets should lead to very high inflation in the future.

Growth rates should revert back to historical norms and double-digit inflation is not out of the question. Other notable economists and investors, such as Alan Greenspan, Jim Rogers and Warren Buffett have reported similar views in the last six months.

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