



August 2009 Newsletter

Pastor-Genève News

As we approach the busy fall season, colored diamond dealers around the world are reporting robust sales in emerging markets as well as several orders from retailers in Western economies who are looking to position themselves for the continued sales growth of colored diamonds at the retail level.

The Argyle corporation just announced that only 43 stones will be available for sale at the 2009 Argyle Tender, compared to 65 stones last year. Because of the production declines at Argyle, the number of stones being offered dropped over 30 % as supply continues to tighten up at the Argyle mine. Last year, all 65 stones sold at an average of 20 % above the reserve estimate in October, as collectors and investors looked to acquire rare hard assets during the worst economic decline since the Great Depression.

We have been invited to contribute to the Sovereign Societies On-Line newsletter, which has over 200,000 subscribers and has been very receptive to colored diamond offerings in the past. They have asked us to contribute an editorial for their readers and present them with a special offering.

We will be closed for the last week of August but if you have any questions or queries, we will certainly be responding to emails and messages.

DiaMine News

DiaMine Explorations Inc. is pleased to announce that we have processed our application for listing to a European stock exchange through our solicitors and we have received a very favorable response. The regulators, accountants and securities lawyers have been working closely with each other to complete the application process and we anticipate a listing within the next 6 months to a year.

DiaMine has been looking closely at several properties in a key gold-mining region of Ontario for the last 4 months in order to diversify their property holdings into another mining sector. With the price of gold poised to rise in the future, DiaMine is close to closing on a very large property adjacent to one of the largest gold discoveries in the world.

DiaMine has also completed its summer drill program at the Kinoshea property and has sent additional samples to the laboratory for analysis. Results are expected in the coming months.

Diamond News

World Wealth Drops But Ultra-Rich Seek Safety in Jewels

The annual world wealth report produced by Capgemini and Merrill Lynch found that the highest net worth people in the world lost an average of 19.5 percent of their wealth in 2008. Lifestyle spending by high net worth individuals was significantly reduced in 2008, but this demographic actually stepped up its investment buying of jewelry and other luxury items that are seen as a safe place to keep money, increasing these kinds of purchases beyond pre-recession levels.

Diamond Sales Improve Across India

With prices of polished diamonds slumping as much as 15 percent during this recession, in India they are increasingly being bought for investment purposes. Domestic consumption of diamonds has doubled during the past three months, from 2 percent to 4 percent of total production. Demand for diamond jewelry has also increased significantly during the past year. Jewelry demand rose by 25 percent domestically in the past three years, and by approximately 5 to 10 percent in the last year.



Dealers Report Active Hong Kong Show

The June Hong Kong Jewellery & Gem show proved better than expected for some diamantaires, as buyers from the Far East, and India in particular, came to fill outstanding orders. Very few buyers from the U.S. and Europe were seen at the show. Sales remained conservative, and demand for larger, better goods was still weak. Nevertheless, nearly everyone agreed that the show signaled improved market conditions, considering the past six months.

The recent turmoil in the global financial markets has convinced countless investors to explore alternative assets, and smart investors are no longer solely focused on ways to maximize their capital gains. They are all seeking tried-and-true strategies for preserving wealth, and a great many have chosen to invest in natural colored diamonds.

China's Growth Slow but Jewelry to Surge in 2H '09

Domestic consumption of jewelry, along with automobiles and furniture, will surge in the second half of 2009, according to analysts, though foreign trade is expected to take a dive. Overall, China's economy, which has been growing by double digits, is unlikely to fully recover by the end of 2009. GDP growth will hold steady at around 8 percent for the next two quarters.

Renaissance Jewellery Sales +26% in FY09

Renaissance Jewellery Limited reported that its net sales grew 26 percent to \$154.9 million (INR 7.5 billion) for the fiscal year that ended March 31, 2009. The Mumbai-based diamond jewelry manufacturer saw net profits fall 30 percent to \$4.8 million (INR 233.9 million), due to higher operating expenses. Fourth-quarter sales increased 58 percent to \$78.6 million (INR 3.8 billion) during the quarter, while net profits declined approximately 27 percent to \$2.7 million (INR 128.9 million).



Rare Diamonds from Argyle, Annenberg Go Up For Auction

Forty-three pink diamonds from the Argyle mine will hit the road as part of a worldwide tender tour. Argyle Diamonds are usually bought by jewelry connoisseurs, private collectors and celebrities. Meanwhile, the Annenberg Diamond is scheduled to be auctioned during Christie's Jewels: The New York Sale on October 21, 2009. The square emerald-cut diamond is described as a 32.01-carat, D color, flawless stone, mounted as a ring and flanked by two pear-shaped diamonds of 1.5 carats and 1.61 carats. The ring, part of the collection of Leonore Annenberg, was designed by David Webb. Christie's estimated its value between \$3 million and \$5 million.

Christie's Auctioning Pink Diamond

Christie's will be auctioning a 5 carat vivid pink diamond in Hong Kong at its December auctions, with the piece expected to sell for between \$5 and \$7 million dollars. The diamond is the property of a private collector and was set into a ring by Lawrence Graff, who has handled the Belgian blue and the Lesotho star diamonds.

Red Diamonds

Red colored diamonds are the rarest and most valuable diamonds on earth. Only 20 are thought to exist. It is said that the lowest value of any one of them exceeds \$2 million with another that has sold for around \$8 million.

The largest red colored diamond ever sold is named the Moussaieff. It weighs a total of 5.11 carats. Supposedly the Moussaieff, which is cut into a triangular brilliant cut pattern, was found by a Brazilian farmer. Who says farm work doesn't pay? The gemstone was reported to have weighed around 11 carats before it was cut.

Other examples of the extremely rare red colored diamond gemstones are held in off-limit private collections and in a handful of investors' portfolios. A few more are held by museums. Of course, with a commodity so small that it could be hidden in a thimble, and so valuable that wars are fought over them, some owners prefer to remain anonymous.



I was not able to easily locate any source that had a red colored diamond for sale. That does not mean that one does not exist. Therein lies the opportunity for a wily and rich investor. If you can locate one of these for sale and can afford to buy it, you most certainly will be able to eventually profit from the transaction. With an item so rare that only twenty may exist in the world, there is no doubt that demand will outstrip supply forever.

Long-Term Colored Diamond Investment

Recent turmoil in the global financial markets has convinced countless investors to explore alternative assets, and smart investors are no longer solely focused on ways to maximize their capital gains. They are all seeking tried-and-true strategies for preserving wealth, and a great many have chosen to invest in natural colored diamonds.

In times like these, investors would be wise to consider alternative assets that provide a reliable store of value. A meaningful capital preservation strategy is the path of the responsible investor during these chaotic times. With this in mind, there has never been a better time to consider investing in rare colored diamonds. Let's explore a few of the characteristics that make natural colored diamonds such an attractive store of value.

Diamonds have an extremely high value in contrast with their diminutive size and weight. A two carat intense fancy yellow diamond is worth approximately \$25K, and weighs less than 1/70 of an ounce. If the need ever arose, millions of dollars worth of diamonds could be concealed and transported on one's person. For hundreds of years, diamonds have been used as a medium to discreetly transport wealth across troubled borders. As a wise man once said, wealth knows no borders.



Natural colored diamonds also have a rock solid history of steady price appreciation, which is a very appealing characteristic for the keen investor. Just recently, the Wittelsbach blue diamond sold for \$24.3 million at Christie's in London, setting a record price for any diamond or jewel sold at auction. An oval-shaped, vivid yellow diamond weighing 36.99 carats, sold at Sotheby's New York in December 2008 for \$71,870 per carat.



Lastly, demand for fancy colored diamonds has skyrocketed in recent years. This is partially due to consumer awareness regarding the natural rarity of coloured diamonds, for out of 10,000 carats of diamonds mined only one carat will turn out fancy colored; with the rarest colored diamonds being red, blue, green orange and pink. The reality is that supplies of coloured diamonds are decreasing while demand is increasing, resulting in a great opportunity for investors as prices continue to increase.

Mining News

Grim Outlook for Mining Sector in South Africa

South Africa's mining sector could shed about 100,000 jobs in the next year, as mining output is expected to fall 20 percent in the wake of the global financial crisis. Originally, it was forecast that the mining sector would invest about \$9.6 billion (ZAR 75 billion) globally this year, but the figure has fallen to \$3.2 billion (ZAR 25 billion). Next year, global mining investment was to have been \$22.3 billion (ZAR 175 billion) but it is now expected to be \$7.6 billion (ZAR 60 billion).

Argyle Completes Upgrade, Resumes Production

The Argyle Mine in Australia is back in production after a three month hiatus but in place to avoid low prices. The mine was able to keep the majority of its employees working during the break, spending funds on upgrading its processing plant. Representatives of the mine say that Argyle is now in a much better position to take advantage of the recovery, which they believe is fast approaching.



Rio Tinto 2Q Diamond Production -72%

Rio Tinto diamond production fell 72 percent to 1.281 million carats in the second quarter of 2009. Production at the company's fully-owned flagship Argyle mine decreased 86 percent to 408,000 carats, after Rio Tinto reduced production at the mine in March due to the decline in diamond demand. Rio Tinto's 60 percent production share of the Diavik mine dropped 44 percent to 853,000 carats. The company also owns 78 percent of the Murowa mine in Zimbabwe, where its share of production sank 62 percent to 20,000 carats.

Economic News

Buffett Says U.S. Economy Remains Flat

Warren Buffett said on Wednesday that all the reports he sees from Berkshire's retail, manufacturing and utility businesses show the economy has remained fairly flat. The economy will still take some time to bounce back, he said, as he has not yet seen the "green shoots" of recovery that others have talked about. Buffett also complimented the efforts of the Obama administration to solve the country's economic problems, saying that although the actions they have taken will likely lead to high inflation, they were the right moves.

U.S. Savings Rate Jumps to 7%

The U.S. savings rate, which was hovering near zero in early 2008, surged to 6.9 percent in May, its highest level since December 1993. The rise was attributed to the fact that people saved the money from the tax breaks received as part of the government's economic stimulus program, rather than spending it. Spending did rise by 0.3 percent in May, however, which was viewed as encouraging after being flat in April and seeing a 0.3 percent drop in March.

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