



September 2009 Newsletter

Pastor Genève News

As economies around the world stabilize and the wealth effect of higher equity prices and a more stable real estate market sets in, colored diamond collectors and dealers around the world continue to increase their holdings as an alternative to paper assets.

Several of the most recognized investors around the world have already come out and talked about potential inflation as well as currency devaluation over the medium term, as the consequences of a loose monetary policy and deficit spending takes hold.

Some of the pieces being offered at auction in the fall have been mentioned, including a 5-carat flawless vivid pink diamond, which is expected to sell for \$5 to \$7 million dollars in Hong Kong.

With the rapid revival of the Asian economies, where many economies are posting high single digit growth rates, the sales of colored diamond jewelry continues to grow at a healthy rate.

Furthermore, the dealer offerings we have received from major diamond centers in the last two weeks indicates a stability of prices during a time of very tight supply.

We will be contributing an editorial for the Sovereign Society newsletter in October to discuss the recent developments in the rare colored diamond market. For a copy of the article when it is published, please feel free to contact your representative.

DiaMine News

DiaMine has been very busy the last two months negotiating on an important gold prospecting property in Northern Ontario as well as moving further towards listing on a European Stock Exchange. The large gold prospecting property should be completed within the next couple of months.

The samples from the summer drill program in the Coral Rapids property have been submitted to the lab and the results from the sample should be back in the next few weeks, but a cursory view of the drill program indicates some potential additional kimberlite indicator minerals.

DiaMine will update their shareholders in regards to any new developments through future press releases.

Retail News

Chain store sales for the week that ended August 8, 2009, rose 0.4 percent in the U.S., mainly due to back-to-school shopping and several states' sales tax holidays, according to the International Council of Shopping Centers (ICSC) and Goldman Sachs.

Although retail sales have declined in the major Western economies, in London, Harrods' sales in 2008 grew 9 percent to a record \$1.2 billion; fine jewelry performed strongly, with sales up 16 percent.

De Beers Group

De Beers Group reported that its first-half sales dropped 54 percent to \$1.7 billion, and net earnings plunged 99 percent to \$3 million. De Beers registered underlying losses — i.e., operating losses — of \$164 million, compared with underlying earnings of \$350 million one year ago. First-half sales for the Diamond Trading Company (DTC) fell 57 percent to \$1.4 billion.

Production fell 73 percent to 6.6 million carats as many mining operations were placed on care and maintenance during the first quarter. Subsequently, though, all except one mine have resumed operations, according to De Beers. For the full year, De Beers predicts production will be half that of 2008.



Shanghai Diamond Exchange Trading Volume +7% in 1H09

The Diamond Administration of China reported that trading volume — total import, export and inter-member transactions — on the Shanghai Diamond Exchange (SDE) during the first half of 2009 rose 6.9 percent to \$692 million. Polished diamond imports rose 12.7 percent to \$300 million, making China the third-largest diamond consuming nation, behind the U.S. and Japan.

De Beers Diamond Pricing

Reports from the August Diamond Trading Company (DTC) sight indicated that prices were raised by as much as 10 percent on smaller rough, particularly goods in demand from the Indian market. Prices on other rough increased by between 3 percent and 7 percent. De Beers neither confirmed nor denied the observations, but added there had been strong applications for rough during the sight. Market observers expressed concern, as rough prices have been steadily increasing since March, while polished prices have remained relatively unchanged.

Russia's Prime Minister Vladimir Putin pledged \$1 billion to help the nation's embattled diamond industry. ALROSA estimates that its annual production this year will top out at \$2.1 billion and that company profits will fall 71 percent to \$14.5 million. First-half production rose 4 percent to 18.4 million carats. Meanwhile, the Surat Diamond Association entreated Russia to make rough more readily available to India's cutting and polishing industry.

Vietnam estimated that gemstone, precious metal and jewelry exports jumped 285 percent to \$2.6 billion during the first eight months of 2009.

The Kimberley Process (KP) is conducting a review in Angola, the first such compliance review since 2005.



Diamond Investment Demand

Prices for rough diamonds are on the increase. One of the largest diamond companies has reported that rough diamond prices have recently risen as much as 8.5%. The increase in rough diamond prices is expected to cause an increase in polished diamonds. This increase is likely to be somewhere in the 4% to 5% range. According to an expert the price increase is going to effect mainly diamonds that are of high quality. While the prices may increase the demand for large and high-quality diamonds is thought to continue to increase. Even in the wake of a possible U.S. recession the prices of large diamonds has increased more dramatically in the last 6 months. This is most likely due to the fact that diamonds of larger size and higher quality are rare. The rarity makes them desirable, especially to investors.

Investors around the world are beginning to look for alternate investments. The stock market is a volatile investment at the present time so people are trying to find other places to put their money. Diamonds are a natural investment. Diamonds have always increased in value, even in times of economic stress. While other investments may decline diamonds seem to be on a steady increase.

According to experts the best investment diamonds are those that are large (over 10-carats) and flawless. White diamonds, also called colorless diamonds, are the most common diamonds so the larger diamonds are always more valuable. The other thing that makes diamonds more valuable is the grade. Experts who use a 10X magnifier to examine diamonds for flaws and to grade diamonds. Almost every diamond has some flaw but the smaller the flaws the more valuable the diamond will be.



Colored diamonds are much more rare than white diamonds so they have an even higher value. Colored diamonds are formed when a mineral or substance is present at the time the diamond is formed. For example if nitrogen is present while the diamond is forming the result will be a yellow or orange colored diamond. Boron will produce a blue diamond. When excess pressure is exerted in the formation of a diamond it can produce a red, pink or purple diamond. If radiation was present it can create blue or green diamonds.

The most rare of the colored diamonds are those that are purple, pink or red. The depth of color may vary greatly with the darker colors fetching the most money. All colored diamonds are quite rare with one being found for every 10,000 white diamonds that are found. Because of their rarity prices for colored diamonds have increased at an even higher rate than similarly sized white diamonds.

Those who are looking for a good investment that is a hedge against inflation should consider diamonds. The diamond market continues to show a marked increase over just the past 6 months. The increase in value reflects an increased awareness of diamonds as an investment. Some of the wealthiest people in the world are now using diamonds as one of their investment vehicles.

There is also an increase in the number of millionaires worldwide. These newly wealthy people are looking for ways to invest their money. They are also looking for ways to show their wealth. Diamonds fulfill both needs. Large beautiful diamonds are a symbol of prosperity. Auctions have seen an increase in selling prices in the last 6 months. For example one recent auction saw a diamond ring sell for more than twice what it was expected to get. This type of huge increase is expected to continue as more and more people are looking for the best diamonds to invest in.

Diamonds can be in settings without affecting their value. Most diamonds that come to auction are already in settings however, many people will change the setting once they make the purchase. Even though settings are often done in gold or platinum the bulk of the purchase is in the stone and not the setting. Some large stones may be purchased as loose diamonds. Loose diamonds are diamonds that are cut and polished but are not currently in a setting. Loose diamonds are just as valuable as those in settings.

When choosing investment diamonds the best choices are those that are the most rare. For example, the best type of white diamond to choose would be a large diamond or one with no flaws. Both are better investments than diamonds that are typical. Colored diamonds are also a great investment with prices increasing even more sharply. If you are not a gemologist you should enlist the help of one before making a large investment diamond purchase. Always choose diamonds that have been certified. These diamonds have been reviewed and graded. An appraisal differs from a certification. An appraisal attempts to give the current value of the diamond.



Tiffany's Jewelers

Tiffany & Co. sees an unprecedented opportunity to grab market share from jewelers that have succumbed to recession, and some analysts predict the stock will jump higher as the chain wins clients from fallen rivals.

“With the number of bankruptcies and reorganizations in the industry, we are hopeful our sales can outpace the economic recovery,” Chairman and Chief Executive Officer Michael Kolawski said in an Aug. 28 telephone interview. “I have been here at Tiffany for 25 years, and in my own personal experience, we have not encountered an environment which we believe provides the long-term opportunity that this one does.”

Tiffany can capture sales in a \$150 to \$25,000 price range, with diamond jewelry a primary category, Kowalski said.

Tiffany had 5.5 percent of \$28.3 billion of 2008 sales at U.S. stores that specialize in jewelry, and ranked third behind Signet Jewelers Sterling Jewelers Inc., and Zale Corp., said Ken Gassman, president of the Jewelry Industry Research Institute. Tiffany, the world's second-largest luxury jewelry seller, trails Cie Financiere Richemont AG, owner of Cartier and Van Cleef & Arpels, in global sales.

The company also plans to expand its 76 regular-sized U.S. locations to 100 by 2016, according to Aaron. New products Tiffany introduced this year include key-shaped pendants with prices ranging from \$150 to \$15,000 and a collection of bezel- setting engagement rings.

The jeweler's products win customers because they are “classic” and not “fashion, David Schick a Baltimore-based analyst with Stifel Nicolaus & Co., said in an Aug. 28 telephone interview. He rates the stock “hold.”

“Tiffany does seem well-positioned to take market share,” said Schick, who notes the 172-year-old company's longevity. “Tiffany has been through the Civil War, two World Wars and the Great Depression.”

Economic News

US Dollar - Bloomberg

Aug. 19 (Bloomberg) – PIMCO, the world’s biggest manager of bond funds, said the dollar will weaken as the U.S. pumps “massive” amounts of money into the economy.

The dollar will drop the most against emerging-market counterparts, Curtis A. Mewbourne, a Pimco portfolio manager, wrote in a report on the company’s Web site. The greenback is losing its status as the world’s reserve currency, he said.

“Investors should consider whether it makes sense to take advantage of any periods of U.S. dollar strength to diversify their currency exposure,” Mewbourne wrote in his August Emerging Markets Watch report. “The massive amounts of U.S. dollar liquidity produced in response to the crisis” have helped reduce demand for the currency, he wrote.

Percentage of Reserves

The dollar as a percentage of global central banks’ foreign reserves increased to 65 percent in the first three months of the year, from 64.1 percent in the previous quarter, according to the International Monetary Fund. Its share has remained around 65 percent the last five years, after falling from 72.7 percent in 2001.

Sample Coin

“We are positive on the Asian currencies against the dollar and think they will continue to rally,” de Mello said in an interview. “I do think the diversification of reserves is something that’s important and I think we’ll see some from China into other currencies and this will benefit as well Asian currencies and other emerging currencies.”

Bill Bross, who runs the \$169 billion Pimco Total Return Fund, is also warning the U.S. currency will fall. Holders of dollars should diversify before central banks and sovereign wealth funds do the same because of concern government budget deficits will deepen, Bross said in June. Billionaire Warren Buffett wrote in a New York Times commentary today that the dollar is under threat from the “monetary medicine” that has been pumped into the financial system.

“Enormous dosages of monetary medicine continue to be administered and, before long, we will need to deal with their side effects,” Buffett, 78, wrote. The “greenback emissions” will swell the deficit to 13 percent of gross domestic product this fiscal year, while net debt will increase to 56 percent of GDP, he said. The U.S. budget deficit reached a record \$1.27 trillion for the first 10 months of the fiscal year and broke a monthly high for July, the government said Aug. 12.

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