



# PINK *Diamonds*

*I like the old-fashioned flowers,  
violets are for me. Have them made  
in diamonds by the man at Tiffany...*

**W**ho can forget Eartha Kitt's rendition of "Old Fashioned Girl"? No one who was born before 1956 and few music lovers since. The song is a paean to wealth and the acquiring of wealth – in Eartha's case by getting the millionaire first!

To get violets you need coloured diamonds, and it is this that required the pre-acquired 'old-fashioned millionaire'. Any reasonably successful singer could afford the usual white, or colourless, diamonds. To get pink or violet ones needed real money.

So it is today.

Diamonds are a strange investment – they are both the hardest natural substance, yet fragile if struck along a fault line. They are graded by colour – with the most colourless being the most valuable, unless the colour is very strong, in which case the reverse applies, and values shoot off the scale. They are portable, marketable, yet sometimes their true value is in their provenance, where they come from, supported by the right pieces of paper. They are a commodity, yet scarce, even rare. They are sold by the pound and by the microgram. They don't pay cash dividends any more than gold does.

They go up and down in value, except strongly-coloured diamonds which seem only to have ever gone up.

While the world's diamond markets are controlled by a small number of firms, the de Beers' cartel is a thing of the past. New sources of supply from Canada, Russia, Australia, and non-de Beers Africa have changed the supply and demand dynamic once so carefully controlled. Diamond prices are more market-driven and fluctuate with the economic cycle, and anybody investing in regular diamonds over the last five years will have seen his portfolio reduce in value slightly.

Unless the investment had been in fancy coloured diamonds, particularly pink diamonds. Trade sources claim that these have doubled in value every five-six years over the last 25 years. These stones are so incredibly rare, especially the large stones, that the firm that produces the bulk of them has been able to raise their prices every year since mining commenced. 95% of the world's production comes from one mine in Western Australia. This 95% represents only 0.1% of all the diamonds produced at the mine. The annual production of pink diamonds large enough to stand alone as the main stone in a setting can fit into a trouser pocket.

Worldwide, for every 10,000 carats of diamonds mined, only one carat will be fancy coloured and less than one carat in a million are pink. Prices for high quality natural coloured diamonds have risen by an average of 10 to 15% per annum (since the early 1970s when formal records started to be kept). The rarer colours, higher grades and larger sizes have enjoyed the greatest increase in value.

In 2005, the coloured diamond market was particularly strong. "The market for natural coloured diamonds is very strong at the moment and prices have risen by 25% within the last year," said Andrew Coxon, vice president of De Beers in London, quoted by Steven Herschoff of Pastor-Genève.

The very best stones, over one carat and with intense colour sell for fabulous sums. Buyers at Christie's in London are from the Gulf, India and Russia and diamonds are changing hands at over USD1m per carat. But these are the exceptionally large stones, and the auction prices are a recent phenomenon that perhaps says as much about the recent improvement in wealth in these areas as about prices. New pink stones coming to the market are sold by tender, and the USA, Asia and Europe are the largest markets, with prices reaching USD100k per carat. There is no escaping the facts – pent-up demand or new demand it is demand, and it is driving values ever higher.

Historically, the prices paid for coloured diamonds have always exceeded those for white diamonds. The most famous diamonds in the world, the Hope, the Tiffany, the Dresden, are all coloured, and these rarest and most treasured stones have always been termed "priceless" – values per carat beyond the reach of almost anyone but royalty.

## *Diamonds are changing hands at over USD1m per carat.*

The pressure from demand is supplemented by the downward pressure on supply: the Argyle mine's production of pinks is decreasing, and a recent decision to move away from alluvial deposits and focus on underground mining is believed by industry observers to herald a further reduction in supply, especially of the finer and larger stones. Industry sources expect Rio Tinto to continue to increase their prices.

There are other ways to go: invest in Tiffany's (NYSE:TIF) – they have reported the 5th straight year of growth in sales and profits, but you will look in vain for coloured diamonds on their web site. They have some, but they are strictly not for sale. Rio Tinto (LSE:RIO) own Argyle and sell their pinks by sealed tender once or twice a year. Bidding is fierce.

## *These rare and unique stones usually become treasured heirlooms passed on through the generations.*

Short- to medium-term prospects for the value of stones seem good, given the only reliable source is about to run dry, but money in diamonds should only be a small part of a balanced portfolio: this is essentially a speculative investment and should only be entered in to by those with the appropriate knowledge and advice. Nor is the market liquid: unlike shares in major companies that trade every minute of the day, it may take time for a trader to get a buyer for a particular stone at the right price.

For those who wish to buy and wish to proceed to get the required knowledge and advice about the stones a pink diamond specialist is the place to go. Mondial Neuman who keep a pink diamond shop in the Queen Victoria Building

in Sydney is one of very few such. This family-owned business has a retail store in Bondi Junction, selling conventional jewellery, but the QVB shop has been given over entirely to pink and other rare natural coloured diamonds. General Manager Michael Neuman is emphatic: "Every Argyle Pink Diamond over 0.2 of a carat has a certificate of authenticity, and every stone is identified by its lot number. Larger stones may have authentication by the GIA." He goes on to explain. "With diamonds, as with every precious stone, there is the risk of unnatural enhancement, of attempting to improve upon what nature has provided. These 'improvements' do not usually improve the value, merely the price, and as with any other valuable thing you might want to buy, it is important to have the proper paperwork to accompany your purchase.

Mondial Neuman neither stock nor recommend treated diamonds which have no investment value whatever".

This paperwork is an important proof of

value should you decide to sell your gems in the future.

Now for the pleasurable bit – assuming that you are not proposing to persuade your Superannuation Fund to buy a diamond for you to wear (they can't!), you can enjoy your investment, or simply just enjoy, and leave the question of whether or not this is an investment for time to tell. Even better, leave the question for your descendants – these rare and unique stones usually become treasured heirlooms passed on through the generations.

Again, a specialist like Mondial Neuman, who are also expert jewellers with many years of experience, can help.

Not only do they have the largest range of pink diamonds in the world. (Yes, World), they are able to transform your gem into a stunning piece of jewellery designed to show off your stone to best advantage.

A final thought from Michael Neuman. "Other coloured diamonds owe their colour to atoms of other minerals incorporated into the diamond crystal – blue comes from boron, yellow from nitrogen. But no-one seems to know why pink diamonds are pink. The best guess is some form of molecular distortion, but no-one really knows. It is imperative that you buy your pink diamond from a specialist like ourselves – with your "Argyle" certificate you know that it is a natural stone, and you also have our guarantee of a credit of 100% of your purchase price if you buy through us."

