



CAN DIAMONDS BE AN INVESTMENT?

A man without a wife is like a vase without flowers.

African proverb

As much as they say, 'Diamonds are a girl's best friend', diamonds are not for everyone. Perhaps your partner would prefer a different gem as the main stone in her engagement ring instead. Or perhaps she'd still like a diamond, but would like something that really stands out, like a pink or yellow diamond. The important thing to remember is to do your research to find out what rocks her world.

In this chapter, I take you through some other options for your engagement ring, away from the traditional white diamond. But first, I run through how other stones compare to diamonds in terms of their hardness rating.

ARE OTHER STONES AS HARD AS A DIAMOND?

A diamond sits on top of the Mohs scale of mineral hardness with a rating of ten. Now, while a sapphire and ruby are only one level lower

at nine, they are really nowhere near as hard as a diamond. In fact, a diamond is four times harder than a sapphire. Next of the major gemstones is an emerald on eight, and tanzanite on seven. So if your partner is an avid rock climber or outdoor enthusiast, it might be a safer option to stick with a diamond.

How the ring is worn will affect how long the stone is likely to last. I have seen the most delicate rings that have been worn with such care that, in 10 years' time, they look like they have hardly been worn. Likewise, sometimes a brand new ring can look like it has been hit with a hammer even after six months. I call this 'loving your rings hard'.

No two people are the same, and neither is the way they wear their rings. Imagine if two people were given the exact same car – brand new and perfect in every way. One person drove their car very carefully, never sped up too quickly or braked too hard, and always parked their car with extra care. Contrast this with someone who, with the same car, loved the thrill of acceleration and cornering through a roundabout, and maybe didn't always look behind them when reversing into a car park. (I'm not going to make any gender jokes about driving here!) One person's car would still look immaculate; the other car would have worn tyres and brakes, and scratches down the side panels. I think we could hardly blame the car for the different level of wear and tear it has endured. I think most drivers would be aware of how they drive, so it is a good idea to see how she describes herself and how she wears her other jewellery, to see if she 'loves her rings hard'. If she is a little on the hard side, a diamond is definitely the best option for the long term.

USING A GEMSTONE IN AN ENGAGEMENT RING

While the hardness of the other precious stones – that is, rubies, sapphires and emeralds – and any of the semiprecious gemstones is nowhere near as hard as a diamond, there are still a few things you can do to incorporate some of your partner's favourite colour into the engagement ring.

Centre stone

If your partner has her heart set on a coloured gemstone as the main feature for her engagement ring, try to choose a sapphire or ruby. These stones are the best of all the coloured gemstones for wear and tear and because an engagement ring will be worn every day, this is important.

Emeralds are not only softer, but they also tend to be more brittle due to their tendency to have many inclusions. Emeralds are also oiled, which means that you really can't take them near hot water. So wearing them in the shower is out. Tanzanites are beautiful but probably best kept to a dress ring that isn't worn every day, because they are even softer than emeralds.

If your partner really has her heart set on the main stone being a coloured gemstone, you might want to consider setting the stone in a bezel or semi-bezel setting to protect the stone's edges a little more.

Shoulder stones

Having your diamond as your main stone with supporting coloured shoulder stones is also a great option. It means that the main diamond will bear the brunt of any major knocks she gives it. The shoulder stones in an engagement ring tend to get a lot less scratches and wear and tear. You could either have matching pear-shaped blue sapphire shoulder stones, or the same shaped pink sapphire stones as the centre in a trilogy set (if that is her favourite colour). Alternatively, if it is a single stone in the middle she wants, you could always put some coloured shoulder stones in to the band.

Getting the best out of your coloured gemstones

Gemstones perform very differently to diamonds in settings. If you open the side of the setting and let more light into it, the stone will appear lighter and often have more life to it (sparkle). Likewise, keeping the setting closed will make the stone look darker. This is a good option if the stone you are using is a little on the pale side.

Maintaining after-sale services

With a coloured gemstone engagement ring, it is a good idea to make sure you schedule a few extra trips to the jeweller to have your settings checked and the ring professionally cleaned. The jeweller will also be able to tell you if the wear your ring is getting is consistent with the age of the ring. If you have accidentally damaged or chipped the outside edge of the centre stone, the jeweller can always rotate the stone, so the chip is hidden under the claw.

One thing to bear in mind with a coloured gemstone ring is that, as the years go on, your stones will start to show signs of wear (scratches). When it gets to the point that the wear is detracting from the ring, ask to have the stone taken out and re-polished. If only minor abrading of the facets is required, there shouldn't be any change to the outside diameter of the stone.

CHOOSING A PINK DIAMOND

If you think your partner would love a little bit of colour in her engagement ring, nothing is more romantic than a little bit of pink. While you are able to find pink diamonds from many countries, the Argyle diamond mine in Western Australian is the only consistent supplier of deep pink diamonds in the world. (The Argyle mine is one of the largest producers of rough diamonds in the world, and less than 0.1 per cent of these are actually pink.)

Argyle colour grading chart

The Argyle pink diamond chart is broken up into four main colour hues: purplish pink, pink, pink rose and pink champagne. The first three classifications are then broken up into a number scale system ranging from one (deepest in the range) to nine (lightest). The exceptions to this system are the pink champagne diamonds – these range from PC1 (the lightest) to PC3 (deepest). (See the Argyle pink diamond grading chart available at www.xennoxdiamonds.com.au/diamonds/argyle-pink-diamonds for more information.)

Here's what the classifications mean:

- ◆ Purplish pink: These diamonds are pink with a purple undertone. The secondary colour gives an extra intensity to the stone, making it appear darker in colour. As they are a little rarer than the straight pinks, they are also a little more expensive.
- ◆ Pink: This colour is more for the classics. It ranges from light lollipop pink to a beautiful rich deep colour.
- ◆ Pink rose: This category has been renamed from 'brownish pink' to make diamonds within it more saleable. The brownish undertones can sometimes actually give an amazing intensity to the stone, making it look a lot more valuable than it actually is. If you are looking to maximise your size, this might be a great option.
- ◆ Pink champagne: This colour group lends itself to the lighter colour of champagne, and generally has a lighter pink effect on the stone.

Certification

If you are looking for a genuine Argyle diamond, make sure it comes with the Argyle certificate. At the time of writing, Argyle was providing certificates for all stones 0.15ct and up. In addition to being certified by Argyle, the stone should also come with a unique laser inscription on the girdle (outside rim) of the diamond. Even if the stone is smaller than 0.15ct, it should at least come with the original lot number from the parcel it was sourced from.

In addition to the Argyle certificate, you might find that some pink diamonds also come with a GIA certificate. It is important to note that an Argyle diamond can have both an Argyle certificate and a GIA certificate. Whereas a pink diamond that only has a GIA certificate is not necessarily an Argyle diamond. The GIA also uses a completely different grading system to Argyle.

The GIA system grades its pink diamonds from light, light fancy, fancy, fancy intense, fancy deep to fancy vivid. I always prefer to go for the fancy intense colour. It is very close to the vivid in colour, but it is significantly cheaper than the vivid. Bear in mind that all diamond colour grading is done by eye. So you can sometimes see quite a large variation in the colour for stones within the same grade (more than the white). Like white diamonds, though, every stone is priced on a stone by stone basis. Such that if you compared two fancy intense pink diamonds side by side, and one was a much deeper colour, I can guarantee you it will be a lot more expensive. I truly believe that in this world you get what you pay for.

If you are trying to compare the Argyle grading system to that used by the GIA, the following provides some rough guidelines. You will notice that a certain degree of overlap occurs with some of the gradings. Due to the complexity of grading pink diamonds, each stone needs to be assessed on a stone by stone basis. The GIA gradings compare to the Argyle grading system as follows:

- ◆ light – similar to 9P on the Argyle pink diamond grading chart
- ◆ light fancy – similar to 8 to 7P
- ◆ fancy – similar to 8 to 7P
- ◆ fancy intense – similar to 6PP to 3P
- ◆ fancy deep – similar to 3P to 1P
- ◆ fancy vivid – similar to 4P to 1P.

Deciding on specifics

If you think a pink diamond might be the right choice for your engagement ring, you then need to work through a few specific aspects related to this choice. These aspects are covered in this section.

One main stone or many little ones?

When deciding whether or not to have a pink diamond engagement ring, one of the first decisions you will need to make is whether to have one main stone, or a number of smaller stones. As with white diamonds, one larger pink diamond will be much more expensive than a number of smaller stones that equal the same weight. The main difference compared to white diamonds is that with pink diamonds the difference in price increases exponentially as it becomes bigger.

What is the best setting for pink diamonds?

Most jewellers will set a pink diamond in rose gold, or pink gold as it is sometimes called. They do this for two reasons. Firstly, it often makes the claws disappear so the focus is just on the centre diamond. That way when you look at the diamond, all you will see is the pink diamond and not the usual white gold claws. The second reason is that it can often help to deepen the colour of the pink diamond. As the rose gold claw comes over the top of the stone, it will generally transfer a little of the colour of the metal into the stone, helping to improve the colour.

It is also perfectly acceptable to use white gold – although this is generally only recommended if you have a really deep pink diamond that can stand out in its own right. In this case, sometimes the white gold claws can help to create a contrast effect, making the pink diamond stand out even more. At the end of the day, it also really comes down to personal taste. Choose what you like the look of best.

What's the cost?

Depending on the depth of pink, Argyle pink diamonds can cost anywhere from 10 to 50 times the price of a white diamond of the same size. So it is really important to set yourself a budget before you start looking. The best piece of advice that I can give is to spend as much as you can. This is because you will never have a better opportunity to buy a pink diamond at this price again. Depending on the quality

and depth of pink, Argyle pink diamonds typically go up around 30 per cent a year. (This is never in one single big increase, however; it is broken up at different times throughout the year.)

I sometimes compare pink diamonds to waterfront property. If you miss out on buying your dream home on the beach today, chances are, when you come back to look at it again in a year's or a few years' time, you will wish that you could buy it for the same price you originally saw it for.

When is the best time to buy an Argyle pink diamond?

Now – there has never been a better time to buy a pink diamond. However, during October and November of each year, you often see a large increase in the diamond prices. This is when Argyle holds its silent tender auction, which involves Argyle putting forward its most prized diamonds from the year to be viewed and bid on by everyone in the world.

To participate in the private auction, you need to arrange a private viewing at Argyle. This can be arranged by a diamond expert who specialises in Argyle pink diamonds. Then, once you have selected your favourite diamond, you place the most amount of money that you are willing to pay for it into a box. The diamonds and bids then travel the world, going to Sydney, New York, Hong Kong, Tokyo, London and Geneva, with everyone doing the same. Once the diamonds return to Argyle, the box is opened and the highest bids win. In this month and the month following, the prices for all pink diamonds can increase by as much as 10 to 15 per cent as stones are sometimes bought and released back onto the market. So while the selection may not be as great immediately before tender, there may be a price advantage to buying then.

Overcoming concerns

Pink diamonds do bring with them some unique concerns. However, as long as you're aware of these aspects and know to look out for them, they can be overcome. This section shows you how.

Matching stones

This is an extremely difficult thing to do with pink diamonds. A lot of pink diamonds have a secondary colour, which can range from brown, champagne, orange to peach. So finding two diamonds of the same size, shape, colour and sparkle can certainly be a challenge. However, when you do find a pair, they not only will enhance the design, but will also be more valuable.

Having someone who is fanatical about matching diamonds and has a good eye for colour is essential when matching pink diamonds. The Argyle diamonds can filter through many different channels, so someone who is persistent will be able to source you a beautiful pair even if they don't come from the same merchant.

Checking the cut of a pink diamond

Traditionally, pink diamonds have not been that well cut. This is due to two main reasons. Firstly, the cutter is trying to preserve as much of the original crystal as they can to protect the value of the stone. Secondly, cutting the diamond deeper usually enhances the colour and makes the stone a deeper pink. So if you find a beautiful deep pink diamond that sparkles well, you have found something truly rare and special.

Considering clarity

Clarity doesn't usually matter in a pink diamond. When we are talking about a pink diamond, it is always more about the colour than anything else. I have seen a 2ct princess cut pink diamond with a massive carbon inclusion right in the middle that looked horrible sell for an incredible amount of money.

The exception to this, however, is that because most Argyle diamonds have a slightly lower clarity, if you have a pink diamond with a VS clarity grade or higher, it will carry an extra premium, because of its rarity.

Calibrating your stones

If you are looking for some pink diamonds to go in a diamond halo, make sure you leave yourself enough time to source the right amount of stones that you need. Sourcing a number of pink diamonds that are the same size, shape and colour can sometimes take weeks or months. It may mean that you need to source a portion of the stones that you need from different suppliers to achieve the desired result.

Looking at pink diamonds that aren't Argyle pink diamonds

Pink diamonds are found in other countries around the world, but tend to be a lighter shade of pink. While they can still be beautiful, they don't increase in value as much as the Argyle pink diamonds do and are quite a bit cheaper to buy. Just make sure you check the origin of your pink diamond.

Are pink diamonds an investment?

This is a great question. But the answer really depends on the purpose you are buying the stone for. If you are buying it as an engagement ring for your future fiancée, I can't imagine her wanting to sell it in five to ten years – even if the intrinsic value of the stone has increased dramatically. However, pink diamonds are still largely regarded as the only great investment diamond, because they increase in value about 20 to 30 per cent every year. This is a return that many hedge funds or property investors could only dream of. This amazing increase is due to a five main reasons:

- 1 As of 2013, the Argyle diamond mine moved from an open cut mine to an underground mine. As you would expect, extracting diamonds using this process is much more difficult. With extra machinery and labour come extra costs, which increase the cost of the pink diamond.

- 2 As the kimberlite pipe reaches the bottom of its funnel, the number of diamonds they are finding each year is reducing. As with anything in nature, things that are hard to get usually become more valuable.
- 3 As the number of pink diamonds found reduces, so too does the number of the most intense deep pink diamonds. This is causing the deepest pink diamonds to increase at a faster rate than the mid to light range pinks.
- 4 The demand for pink diamonds is increasing. Every year, more and more people want a pink diamond. As with anything in the world, when demand increases faster than supply, the price will go up.
- 5 If the mine runs out, as Argyle predicts it will, the value of the pink diamonds in the market will increase to new heights. This imminent end is also causing an inflationary effect on the value of the pink diamonds.

In 2010, a client of mine purchased a 0.42ct 4P pink diamond for \$25,000; three years later, they were able to sell it on for \$55,000. I bet a lot of investment bankers and stockbrokers wish that they could get that sort of return.

Of course, when you have a one-of-a-kind pink diamond, its worth becomes whatever someone is willing to pay for it. The only downside to the increase in value of pink diamonds is the issue of liquidity – that is, it may be worth three times what you paid for it, but you first have to find someone willing to buy it from you.

Buying pink diamonds in your superannuation

Believe it or not, in Australia you can actually buy a pink diamond using your superannuation funds. But before you race out and spend your future retirement fund on a pink

diamond, you need to keep in mind the rules set out by the tax office. These are:

- 1 It must be purchased by you with the funds in your self-managed super fund.
- 2 It must be purchased for you.
- 3 (This one is the real downer.) You are not allowed to wear it. In other words, it has to stay in a safety deposit box somewhere – which, regardless of how understanding your future fiancée might be, won't really cut it.

Of course, at this time I need to mention that I am not a financial adviser, and this is not financial advice. Your personal circumstances have not been taken into account, and you really should talk to your accountant or own adviser before making any major decisions.

If you do decide that investing in a pink diamond in your superannuation is something that is right for you, we can help you facilitate the purchase at Xennox Diamonds.

CHOOSING A YELLOW DIAMOND

Yellow diamonds are very similar to the pink in that they have their own unique colour grading system. A true fancy yellow diamond must not be confused with an off-coloured white diamond. Fancy yellow diamonds range from fancy light yellow, fancy yellow, fancy intense to fancy vivid. (See the examples available at www.xennoxdiamonds.com.au/diamonds/fancy-yellow-diamonds for more information.) Some common questions regarding yellow diamonds, along with my responses, are as follows:

- ◆ Which colour will give me the best value? For me, a fancy intense yellow diamond is the optimum grade if you are looking to maximise size, with a diamond that has a strong colour.

- ◆ Are all fancy intense colours the same? As with any diamond colour grading, variations will occur. On many occasions, I have placed two stones with exactly the same grading side by side, and they looked completely different. The important thing to understand is that the colour is essentially graded on a continuum. Some stones will be at the higher end of their band, while others will be at the lower end. My personal preference is to look for a fancy intense yellow diamond that is bordering on vivid. That way you get an amazingly intense look without the vivid price tag.
- ◆ How much more do they cost? It really depends on the stone, but, as an example, a fancy intense yellow diamond can cost between 20 and 30 per cent more than a fine white diamond.
- ◆ Do they go up in value? Fancy intense and vivid yellow diamonds are now going up in value each year. Over the last few years, they have increased by around 10 per cent per year. While they are not increasing in value as quickly as the pink diamonds, it is important to know that the longer you wait to purchase one, the more it may cost you.
- ◆ Will they look as big as a white diamond? Usually yellow diamonds will be a little smaller. Similarly to the pinks, the cutters will always cut the stone according to the crystal and to hold the most colour. Deeper stones hold their colour better. The most expensive yellow diamond that you can buy is the round brilliant cut. This is because the crystal is not really designed to be cut as a round, and the cutter has to sacrifice a lot of the initial weight. For me, the cushion cut and the radiant cut show off the best sparkle in the yellow diamonds.

CONSIDERING COGNAC AND CHAMPAGNE DIAMONDS

Cognac and champagne diamonds are actually graded using the one colour grading scale. The scale ranges from C1 to C8. Diamonds in the C1 to C3 range are considered to be champagne diamonds, whereas diamonds in the C4 to C8 are cognacs. (See the examples available at www.xennoxdiamonds.com.au/diamonds/cognac-diamonds for more information.)

The champagne diamonds get their name from the light yellowish colour of the drink with the same name. The colour here is again different to an off-coloured white diamond. If this is the colour you are looking for, make sure you see someone who specialises in coloured diamonds, so you get the real thing.

While the mid-range colours resemble a medium brown colour, the darkest ones are so intense that they are sometimes affectionately known as chocolate diamonds. The deepest colour, a C8, is not as common. When you are looking at a cognac diamond, the challenge is to find one that sparkles as much as a white diamond. The combination of sparkle and the rich dark colour can be very striking.

Why are they cheaper than a white diamond?

The champagne and cognac diamonds are no less beautiful than a white diamond for those who love them. It is really just a case of supply and demand – there are simply more of them than people who want to buy them.

Expert advice on coloured diamonds from Jim Lehman – Diamonds of Australia

Why use pink diamonds? In the past, the diamond industry was dominated by a small group of men in South Africa who ran De Beers Diamonds. They determined how many were produced and how they were valued from 1870 until around 1970. The De Beers production of gem-quality diamonds was

over 99 per cent colourless or near colourless diamonds and less than 1 per cent coloured diamonds. Because of this, they focused their efforts on marketing what they produced and did not give a value to the coloured diamonds unless they were intense in colour and large.

From 1970 and for the next 20 years, the yellows De Beers produced, and those produced through the beginning production of the new mines owned by mining giants such as BHP and Rio Tinto, were coming onto the market. The next step was when De Beers refused to acknowledge the champagne and cognac diamonds being produced by Rio Tinto's Argyle mine as having any gem value. Up to now, they were the big players and controlled the diamond market. Now suddenly much bigger companies were producing and marketing these new colours. This led to refinements in cutting to enhance the colour of the diamond – where previously the diamonds De Beers produced were cut to get rid of the colour, not enhance it.

From a slow start, the new range of coloured diamonds began being offered to the market. The promotion of these new colours has seen their gradual growth over the next 20 years as more and better colours and marketing programs begin to work. Each new record for the highest price paid for a diamond has been set by a coloured diamond. At the core of these new and expensive diamonds is the Argyle pink diamond.

Rio Tinto's marketing of the champagnes and cognacs was so successful they then turned to the pinks. They began the Argyle Tender to showcase the best of their annual production, and the program became a great success. The Argyle Tender is a collection of the top 50 to 60 diamonds produced in a single year and offered to select diamondtairs on an invitation-only basis. Each of the top 100 to 150 diamondtairs is asked to make a closed bid on these diamonds.

The diamonds are sent around the world – from Perth to Sydney then Hong Kong, Tokyo, New York, London and finally Geneva where the closed bids are opened and the highest bidders receive an Argyle Tender Stone. These stones are from the top 1/100 of 1 per cent of Argyle's gem-quality diamonds.

The tender process raised the price of the pinks consistently over the years as the bids went up substantially each year. This created a secondary market for the next highest quality and pushed the price of these extremely rare diamonds up as well. The program was highly successful for a few reasons: the diamonds are truly beautiful, and the program is well run and has created a new top of the range product for people who want something exclusive.

This exclusivity has translated into the full coloured diamond range, which means you do not have to buy the most expensive diamonds to be exclusive – each coloured diamond is exclusive in itself. Unlike the RBC diamond that can be found in any shopping mall in Australia from ten different jewellery retailers, the coloured diamonds generally are sold by jewellers who actually make the ring themselves and do not buy them from a catalogue of hundreds of the same style.