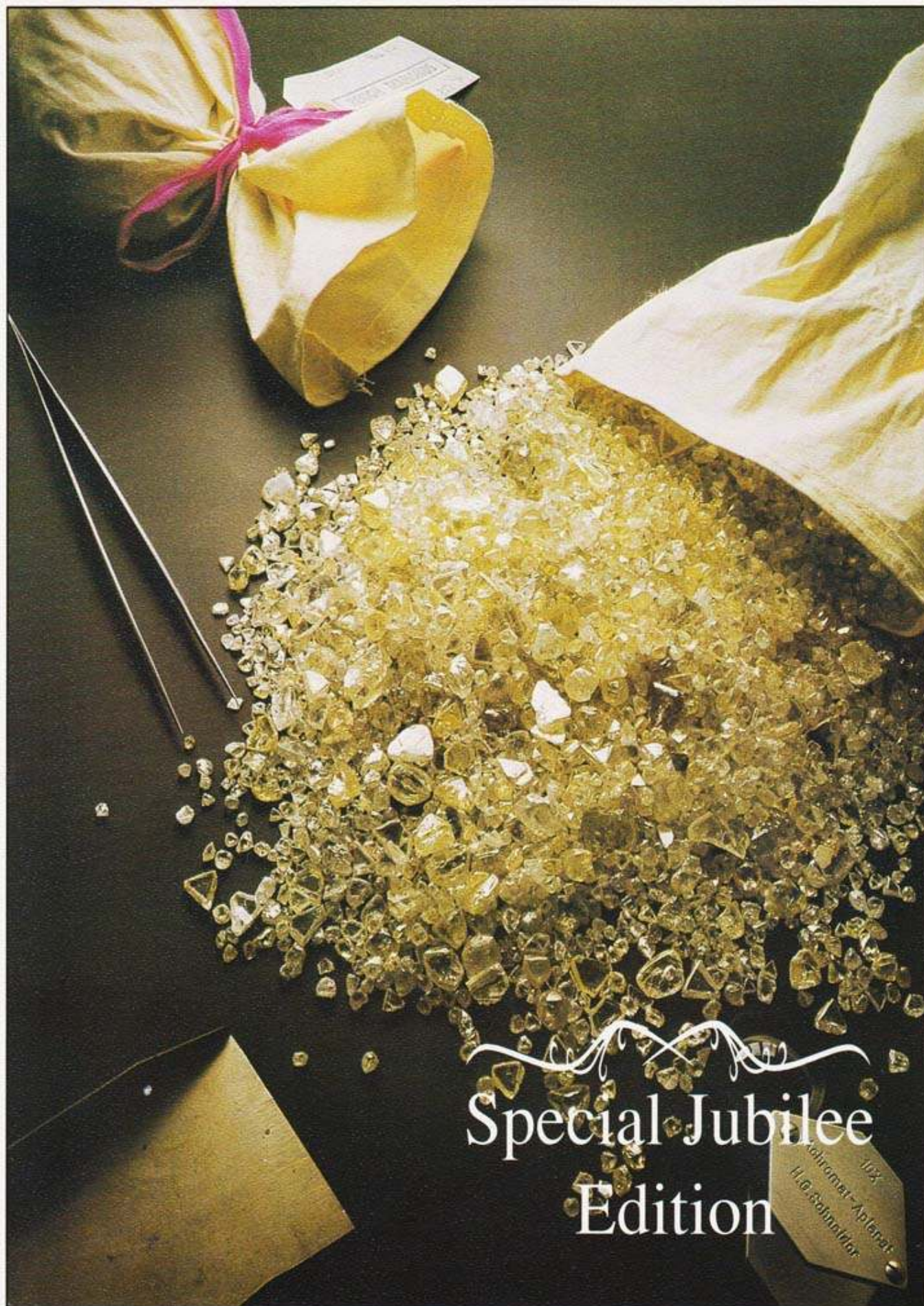


Diamond Exclusive

PRODUCED BY BLANES & SON (ESTABLISHED 1891)

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Special Jubilee
Edition

100 YEARS AND ON...

This issue marks the centenary of Blanes & Sons venture into the wonderful world of diamonds. It's a proud tradition that has withstood times of war, recession and the changing trends of business, of investment and, indeed, the world around us.

To mark this centenary, we take a ride back through time to the earlier days of diamond trading in Amsterdam and then, Antwerp where the great diamond bourses flourished and where vast fortunes in diamonds, scattered like small mountains of sugar crystals, glistened atop roughly hewn tables before exchanging hands to travel on into world markets.

Today, much of that old world charm has gone and Antwerp, as a result of the ravages of the Second World War, has taken over from Amsterdam as Europe's - if not the world's - key diamond crafting and trading center.

While the methods of diamond trading have changed and the era of casually passing around packages of precious stones to colleagues on the old trading floors has long passed - a victim of modern security and insurance regulations - the diamond business remains one of the world's most fascinating and, very definitely, glamorous of trades.

This issue of Diamond Exclusive touches on some of that magic and the continuing traditions of a family, over ten decades, to share something of the wonder of diamonds with the world.

It is rare to find a commercial venture in this age where such expertise continues to be handed on through generations and where the product - like the first valuable diamond found back in South Africa in 1867 - maintains much the same excitement and continues to be one of man's safest and most profitable of investment assets.

LIVING A LIFE WITH DIAMONDS

Ask Gabriel Blanes why diamonds, unlike so many other precious commodities, have never seemed to lose their sparkle and he'll launch into a thousand and one stories about the rather incredible qualities of one of nature's most valuable assets.

That's hardly surprising. Eighty year old Gabriel joined the the diamond industry way back in 1927 and over the years has witnessed not only all the changes on the Amsterdam and Antwerp diamond exchanges but more than a few diamond 'miracles'.

There was the time, for example, when a friend of his purchased a large rough white diamond for a few thousand dollars and took it off to be polished.

"We knew he'd bought the stone for a good price," recalls Gabriel, "but we had a shock when the pear-shaped stone was polished. It had turned bright blue. Suddenly, for no understandable reason, my friend became the owner of an exceptionally rare colored diamond which he later sold for \$1 million."

Such is the excitement, it seems, of diamonds.

"With diamonds," explains Gabriel, "you never really know what to expect next. Of course, events like this don't happen that often, maybe one out of 500,000 stones might change in color. But it is the knowledge that very unusual things can happen to a diamond that makes this profession even more interesting."

There is often no explanation for such color changes but, as Gabriel points out, "you have to remember that a diamond might have been growing for thousands of years and even a tiny droplet of water could suddenly affect its color. Diamonds are a miracle of

nature, after all."

Gabriel Blanes, the former President of Blanes & Son, is now retired from the diamond business but he still maintains a close interest in diamonds and the business which is now presided over by his son Rudy.

"You can never really retire from diamonds," smiles the older man, "they somehow become a part of your life."

That fact is confirmed by his son who laughingly recalls a childhood where "diamonds were served for dinner every night" in the Blanes household.

If diamonds capture one's imagination, so too might the background of the Blanes family themselves. They originate from Spain and the family moved to Amsterdam back in 1620 at the height of Amsterdam's Golden Age when so many flocked to this flourishing trading town.

When Napoleon decreed that every citizen in Holland should take a surname, the family chose the name Blanes (pronounced Blah-ness) which is the name of this now popular Costa Brava resort from where they originate.



The Blanes tradition in diamonds began with Gabriel's father who was a skilled diamond craftsman and grew to encompass many members of the family. It was thus not surprising that Gabriel was apprenticed to learn the trade at age fifteen - or that he too married into another of Amsterdam's diamond trading families.

Gabriel Blanes entered the Amsterdam Diamond Exchange back in 1929 and in 1932 started to trade on his own. Later, he became a member of the Antwerp exchange as well, a tradition continued by his son Rudy who also was apprenticed into the diamond industry at age seventeen.

During the years, Blanes & Son have built a solid reputation for their expertise and Rudy Blanes has taken the company even further afield by specializing in international diamond trading - an activity that provides immense potential in a world where precious commodities, like diamonds, offer safer security for investors.

"Diamonds haven't dropped in price for 20 years," explains Rudy. "In this day and age, there are few investment assets that you can say that about. And diamonds, securely stashed away in a bank vault, are beginning to sound appealing to people who are growing increasingly concerned with recessions, world economies, world debts and, of course, changing world orders."

Blanes & Son have, indeed, noted a



sharp upswing in overseas interest in diamonds for investment purposes and now offer a specialized program for global investors which enables them to make their investment from anywhere in the world in fully certified diamonds from the Antwerp Exchange and store them, in their own portfolio, within the ABN-AMRO Bank vaults in Amsterdam.

"It's a new concept in diamond investing," says Rudy, "and it has a lot of appeal to global investors who can sit tight on their stones or trade at a profit through us when the time, or opportunities, arise."

The new concept is wholeheartedly approved by Gabriel who has seen more than a few changes in the diamond industry in the past sixty years.

"Once we all thought Amsterdam was THE diamond center of the world," he says. "It was, but that all changed after the Second World War and today, the Antwerp Exchange is far more important. Amsterdam is still a diamond showcase for tourists but the

real craftsmen and the real diamond business is conducted from Antwerp.

"Back in the old days, diamond dealers used to come from abroad, sit in the halls of the old Amsterdam Exchange with us and we'd scatter packages of diamonds on the old tables and conclude our deals. Now, people arrange deals by fax from far corners of the world and, when they do visit the exchanges, business goes on behind locked doors and there are elaborate security systems. Times have changed and we have to change with them."

Everything about the business has, of course, changed but the sheer brilliance of the diamond, its mystery, its natural beauty and its precious value, remain.

As Gabriel concludes, with a wit perhaps gained in the once renowned cafes of the old Amsterdam Diamond Bourse, "diamonds are forever. Just ring the Blanes & Son number and find out."

And for that, he must thank Shirley Bassey and the wonderful world of communications.



The Amsterdam Story

Going back in time

When Blanes & Son set up their business 100 years ago, they did so at the start of one of the most glorious periods in Amsterdam diamond history.

Only two years earlier, in September 1890, the Diamond Exchange Association opened its doors in the City and became not only the first diamond exchange in the world but one that served as the role model for many of the exchanges later set up in other countries.

The opening of the Amsterdam Diamond Bourse and the aura created by its throngs of dark-suited merchants and traders, captured the imagination of the time. Millions of dollars worth of gems exchanged hands within its mighty pillared hallways and the esteem it brought, and the growth of diamond crafts it encouraged, was enough to bring Amsterdam the coveted title: "Amsterdam City of Diamonds".

The Exchange itself was rather like a prestigious club where honor between men was the rule of the day. Hundreds of thousands of dollars would exchange hands across tables in the crowded halls or the cafes of the Bourse without any kind of written contract. A handshake was considered sufficient to seal a deal.

It was hardly surprising that this kind of casual trading took place. Before the Exchange came into being, diamond merchants in Amsterdam used to conduct their business in cafes and bars on the Rembrandtplein in the most crowded and confusing of conditions. It was only when the main gathering point, the Cafe Rembrandt, decided to ban the rather noisy diamond traders from its clientele, that these self-employed gentlemen began to realize that they needed their own association and their own rooms.

Memories of those days are best captured in a commemorative book produced to mark the 100th anniversary of the Amsterdam Diamond Exchange. It recalls the days of the Rembrandtplein hub of activity in an excerpt taken from the yearbook of an Amsterdam student society produced in 1889:

".. Let us enter the cafe: it is a long, narrow room, abundantly lit from both sides.... In the middle of this room is a billiard table and at the side stand small tables and chairs. You immediately notice a hum of voices. A heavy, sweet cloud of tobacco smoke hangs midway between floor and ceiling. When the door opens this smoke shifts shape, waves in thin coils and merges with the blue-grey fog that fills the whole room. There is a moment's silence and then the voices burst out in an incomprehensible babble....haggling over prices....and when the deal is clinched, the whole troop gathers round a table. A small mahogany box is produced and a set of scales....Once they are ready, the serious business can begin. Stones of different size, glittering and delicate, are cast onto the scale. Tiny weights are placed on the scales... Now the stone has a label: so many carats. Calculations are made independently by both buyer and seller, naturally before long there is disagreement over the price. One of the bystanders pulls a crumpled piece of envelope out of his waistcoat pocket and the stub of a pencil. He asks the seller, 'How much are you due?' The man does a calculation and announces the result - somewhere between the two amounts. Then the buyer pulls out a wad of bank notes from his inside pocket and lays bills on the table. All eyes are fixed on the paper money that the buyer holds and that represents no mean sum."

While the excitement of the diamond dealing in such surrounds was immense it was not so good for the business of the cafe owners who lost other clients because of the noisy melee inside.

When the diamond exchange opened, dealers and merchants continued to do business in much the same manner and while the exchange offered lofty trading halls and rooms for members, its central point became its cafes and its lounges. One of the last tenants to leave the old exchange before it moved to its new premises in the southern part of Amsterdam describes his own nostalgia for the old building in the centenary book:

"You would see all types walking around in the exchange. The jokes, the special expressions, exactly how it all was, that's hard to describe. People would play bridge in the coffee room and tell shaggy dog stories. You would hear



people yelling at each other and a few minutes later, see them embracing each other. It was a kind of home, I don't know how else to describe it."

Undoubtedly the most important rule of those days was trust. It still remains within the diamond trade but modern insurance requirements have demanded that hi-tech security measures be accepted in the new exchange. In the decades before, it was almost non-existent and yet crime was rare.

The book recalls: "The Exchange is very different nowadays -but that goes for Amsterdam as a whole. In the old days, anyone could walk in - you could just wander along the corridors and all the doors would be open. There would often be a pile of stones lying there worth an absolute mint but it never entered anyone's head to steal them."

An insurance agent of the time goes on to recall that the degree of trust in those days was often unbelievable.

"They give each other packages of diamonds worth enormous amounts. And they get them back, just like that. They're never afraid that they'll not see

their diamonds again. Stones are hardly ever lost on their many journeys here and there. But when it does happen, these are known as 'mysterious losses' and they are covered by a block policy".

Mysterious losses, in a building handling mountains of small stones every day, were also treated rather casually. The book recalls more than few gems on this subject.

"There was a chap once who always used to walk around with an umbrella. He was a broker and one day had just shown someone a large packet of rough diamonds when suddenly they'd gone. He looked everywhere, asked everyone but no one could find them. Two weeks later, he still hadn't found them but then, one day, it rained. He opened his umbrella and the package fell out." Another story recalls the day an American trader was examining a large stone in a pair of tweezers when it flew out of his grasp and disappeared. No one could find that either. But later, a cleaning lady's shrieks solved the mystery. She had found the large stone balanced on the tip of the beak of a clock shaped like a pelican. A small gathering came to admire the sight



but, try as they might, no one could again balance the stone in such a way.

It was, indeed, such tales inside this rather extraordinary exchange that inspired much of the revelry in the halls and cafes where members would sit and often gustily recall the day's events.

Undoubtedly the best stories in the history of the old diamond bourse come from the Second World War years when the exchange became a haven for all kinds of political discussions, sometimes served as a home for refugees and never failed to inspire its members to rally together as one in times of need.

One glorious moment in these harsh years came when the occupying German forces decided to raid the exchange. Fearing such a thing might happen, its members had become used to carrying their diamonds around in their pockets. One morning they were sitting in the cafe when the troops marched in. Quickly, the waiter began serving coffee. One by one those present drank half the liquid and quickly dropped their diamonds in the rest of the coffee. The waiter reappeared, gathered up the cups and disappeared with them into the kitchen. Later, when the Germans had left, the cups were produced and those present regained their stones.

(Excerpts in this article were taken from the book, "The Amsterdam Diamond Exchange". If you would like to order a copy, we will pass your request on to the Amsterdam Diamond Exchange).



ASIA: BUILDING ON GEMS

It pays to watch Asian investment trends and our Asian sources note that there is a sudden surge of interest in diamond investments throughout the area.

Take Japan as an example. It is now the leading diamond consumer in the world with diamonds representing 71% of total jewelry sales in the country. So serious is the growing interest in diamonds that the Japanese government is conducting studies into the feasibility of opening its own diamond exchange. Another rising giant in the area is Thailand. Its economic growth rate has already brought it close to the ranks of Taiwan, Korea, Singapore and Hong Kong and it is a major importer and exporter of diamond jewelry.

The diamond industry in Thailand already employs more than 70,000 people and the export of diamond jewelry accounts for close on 7% of the country's total exports.

The surge of activity in the diamond

trade in Thailand has now prompted a group of major Indonesian and Thai bankers and industrialists to invest in a 55 storey diamonds and rare gems center in the heart of Bangkok. The center will model itself on a European diamond exchange and will come complete with a trading center and a gemmology school to train Asians.

One of the most intriguing markets, however, might be Korea. The import of diamonds was liberalized last year, releasing the industry from the strangling 100% import tax it had encountered until then.

Despite such obstacles, Korean diamond sales increased 20% in 1990 and there are predictions on the market of a 50% increase by the year 2000.

Our diamond sources predict that Asian demand for diamonds is likely to swing sharply upwards in the next few years - a trend that could well send prices in the same direction.

NEWS SPARKLES

A Graff Gem

Laurence Graff of the London-based Graff Diamonds Ltd - one of the world's largest manufacturers and retailers of high class jewelry - considers buying diamonds at an auction "an investment". He "invested" \$1.1 million in a ruby and diamond necklace at Sothebys auction in Geneva last November and then "invested" a further \$2.2 million the next day for an unmounted 32.58 carat diamond. As Graff explains: "I prefer to put my money in a commodity that's going to remain solid. In the last 30 years, it's always proved true. Whatever I've bought, I've sold."

Diamond Club

Florida and Houston seem to be switching onto diamonds! In Florida, local dealers have been impressed enough by the gems sparkling qualities to have got together to form a diamond dealers club. There are now 140 members who each paid 1,500 dollars to join and now awaiting completion of a 3,000 square foot office in Miami. In Houston, wholesale gem dealers are now planning to move into one building to create the city's first diamond district. The Houston dealers hope to win honors for their diamond dealing over Dallas which currently ranks as the number one diamond dealing area in the region.



Colored Diamonds

RAINBOWS OF NATURE

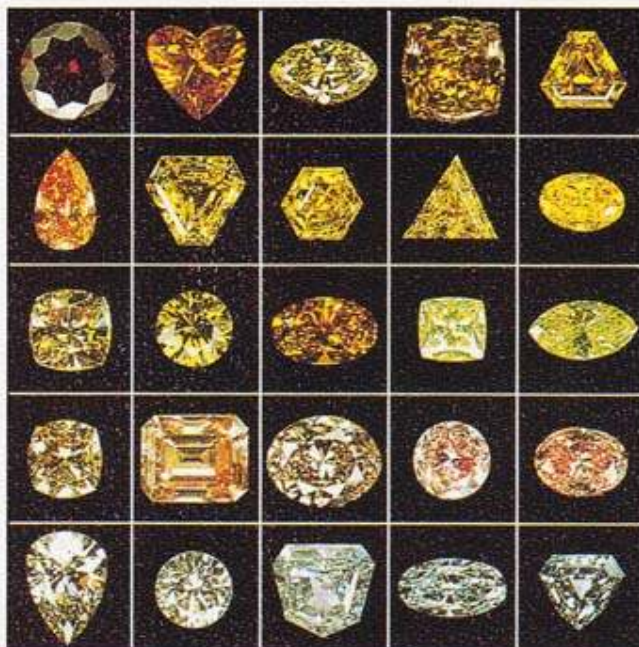
The wonders of nature are many but there are few accidents of nature that produce something as miraculously beautiful as the colored diamond.

White diamonds are formed exclusively from carbon but if a number of other compounds are present in the earth the stone can change into a myriad of colors. If the additional compound is manganese, the stone will turn to pink, if barium is present it will change to blue and when nitrogen is present, the stone will take on a yellowish hue. Because these compounds may occur in varying degrees, colored diamonds come in an unlimited rainbow of colors - and quite often yield the world's most spectacular and most expensive diamonds.

Colored diamonds are much rarer in supply than pure white and, even in mines known for their color stones, can often cause surprises. In Australia where some 35,000,000 carats of diamonds are mined each year, finds of the country's renowned pink and purple stones are still treated with the highest regard. That's, in part, due to the fact that out of every 10,000 carats of diamonds mined only 1 carat of colored diamonds will be discovered.

While Australia is known for its pinks and purples, South Africa produces yellow, bright blue and pink diamonds. In Zaire mostly dark yellow and cognac stones are discovered and in this, the heart of Africa, green and champagne colored stones also appear. In Brazil, the specialities are green and pink diamonds and in Venezuela, yellow-green stones are found.

Surprisingly, it is only in the past few years that colored



diamonds have achieved full recognition. Before then, only a few experts recognized their true potential value. Today, colored stones which, after all, are among the rarest of all precious diamonds, have skyrocketed in price and attract a great following at auctions.

The most sought after colored diamonds at present are blue and pink stones which, due to their popularity, are in the top price

range. Purple-pink stones also attract high prices, particularly the rarer varieties which sometimes can provide a very welcome bonus for the buyer should a gemology institute take a much closer look and pronounce them red or purple-red.

In the past two years, previously neglected yellow diamonds have tripled in price and champagne and cognac colored diamonds can also be expected to start climbing in the coming months due to extensive promotional campaigns now underway to boost the image of these little known stones.

Undoubtedly, the best boost of all for the future of colored diamonds has been the record prices they have been achieving at the larger auctions. The best example of this new interest came at a recent Christies sale where a dark pink diamond weighing only 0.95 carats was sold for \$880,000. It was the highest price ever on record for a diamond of its weight.

It's a tribute, perhaps, to the elements of nature - and its little accidents - which combine, amid the glittering piles of white diamonds, to bring us these even rarer rainbow stones.

Investment Insight

By George Khoury

.Of all the precious assets around us, the only one that hasn't dropped in price for over twenty years is diamonds. Diamonds, undoubtedly, represent a safe investment and, in the current, extremely uncertain, global financial scenario hold even more appeal for investors wishing to safeguard their money.

Uncertainty on global financial markets these days stretches far beyond the question of whether to take a gamble on the stock market or not or whether to play currency or commodity markets. It is entrenched in politics, it is entrenched in recession, it is entrenched in changing world orders. There are just so many factors involved of which the single European market is one and the grossly overstretched activities of many banks, another.

One of the problems is that the average investor does not fully understand the

implications. If they did - and if governments and regulators also did - then banks like BCCI would not collapse overnight and people like the late Robert Maxwell would not be able to empty the coffers of the pensioners, let alone build empires on paper.

The fact is that we've just passed through a decade of growth of mega companies and mega deals. Now, in a way, it's even bigger with international mergers going on almost overnight and, of course, the clamoring rush of corporations to snap up part of Europe, part of Asia - and part of anywhere else that looks promising in a wider world of business.

The question is, do we all understand what's going on. And, more important do those involved? If they do, then why are we seeing repeated disasters and growing recessions?

That is, of course, not such an easy

question to answer but if you are an investor in a world that looks decidedly uncertain at the moment what should you do with your money?

Keep it safe. Or, at least, keep some of it stashed away safely. And, as many found out during long periods of war, possibly in diamonds. At least their track record has remained stable for decades, at least there is the promise of even greater demand for these gems in the upcoming markets of China, the Eastern Bloc and Asia as a whole. And, at least this is an asset you can keep within a bank vault in your name for as long as you wish - regardless of the ups and downs of the global financial markets.

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...and don't forget your raincoat!

There's magic in numbers, they say. These days, there might be more confusion than magic.

The International Herald Tribune sums it all up so nicely. In a recent issue of its Money Report a columnist explores the numbers of the foreign exchange market to illustrate the point.

He asks what we are supposed to make of the fact that the turnover of the foreign exchange market has recently been estimated at around \$640 billion per day?

"It is difficult to imagine that amount of money," he writes. "If you took the distance from the Earth to the moon as 250,000 miles (although it is actually less than that) and were then to pay an astronaut \$1,000 for every mile traveled, the intrepid voyager would have to make more than 2,500 trips a day to

earn that kind of money. If readers still feel the sum of \$640 billion is a meaningless abstraction, they share that sentiment with me".

He continues that "there is a good and bad side to this speculation on the adequacy of numbers. The bad aspect," he says, "is that the fortunes of whole countries are subject to these vast virtually uncontrollable market forces. Central banks may be referred to as market policemen but they can offer no more than guidance and unenforceable threats. They're really just bad-tempered psychiatrists."

He notes that the good side is, he concludes, "that even though the market is huge and almost unstoppable, the individual is far from powerless: You may not be able to prevent rain, but you can always wear a waterproof coat".

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