

THE COLOURED DIAMOND CHRONICLE

DE BEERS BRAND GOING RETAIL



De Beers has announced that they will be using the De Beers brand name to sell diamonds to the public. The world's leading luxury brand group, LVMH, introduces significantly higher levels of luxury brand competition into a very fragmented retail distribution system. Needless to say, everyone in the industry is concerned about exactly what De Beers is up to and how the De Beers brand will affect their business.

The world's largest diamond mining company, De Beers, and the world's largest luxury brand marketing firm, LVMH, Moët Hennessy Louis Vuitton have formed a joint venture. The two powerhouses have created a new independent company to position the De Beers name into an upscale jewelry brand for retail by developing a business strategy that will include development of product and marketing channels. The new company will have the exclusive global rights to use the De Beers name in consumer markets. "This dynamic initiative is another step in the twenty-first century transformation of the De Beers Group," states Nicky Oppenheimer, chairman.

De Beers has established this new independent, equally owned joint venture with LVMH that will have exclusive worldwide rights to the De Beers name for luxury goods in consumer markets. The partners have agreed to jointly contribute up to \$400 million over the next five years to build the brand. Its immediate focus will be on premium quality diamond jewelry. Subject to regulatory approval, the brand will debut within the next 12 to 18 months with a small number of flagship stores that will sell directly to consumers. In their press release and in talks with this writer, De Beers has emphasized that the new firm will be completely independent of the De Beers Group of mining companies including the Diamond Trade Corporation (DTC).

AUCTIONS SALES SOLID

The recent Magnificent Jewelry Auctions at Christie's and Sotheby's in New York garnered increased total figures in an uncertain U.S. economy. Christie's totals were \$ 21,424,830 compared to April, 2000 at \$ 19,297,338. Despite an uneven economy, totals were up, something which Simon Teakle, head of jewelry for the Americas, believes contributed to the solid bottom line. "Jewelry is a safe bet against inflation. It's inflation and recession proof in troubled times". Reinforcing his theory, Teakle recalled a sale the day after Black Monday when two diamonds sold for world record prices. Buyers were from around the world with the top ten lots at Christie's going primarily to privates. At Sotheby's, Americans dominated the top ten lots with an even split between the trade and privates. Fancy coloured diamonds made the strongest showing in the top ten with a 3.08 carat Fancy Intense Blue estimated at \$70,000 - \$90,000, selling for \$ 368,750 to an American dealer based out of L.A. Several other coloured diamonds also garnered strong prices. A 3.02 carat vivid yellow-orange fetched \$93,048 per carat and a 5.08 carat intense yellow, \$ 31,030 per carat. Usually the auctions take place over a four-day period, but this Spring they were two weeks apart. The auction houses were not allowed to coordinate times or communicate so schedules were undertaken independently in the spirit of fair play. Although there was decent attendance at both houses there was something missing in the timing. Dealers felt that the two week break slowed the momentum and excitement of a simultaneous four day run.



AUTUMN COLOURS

Autumn Coloured Diamonds

When a diamond merchant (or a jeweler) mentions the idea of an autumn coloured diamond, people usually conjure an image of a bright pure orange, or a rich pure brown, or a vibrant pure yellow diamond (i.e., colours that are typically associated with the autumnal season).



While these three colours are certainly associated with the foliage seen during the fall season, occurring between late summer and early winter especially in temperate climates such as New England USA, the true autumn colored diamond represents a mixture of these three colours.

In nature, diamonds labeled as autumn colour usually contain all three of these colours (yellow, orange, and brown), in quite varied proportions. Thus, depending on how nature intended a particular diamond to appear, an autumn diamond may contain more orange, more yellow, or more brown. The mixture of these three adjacent colours in different proportions, results in a wide assortment of interesting and beautiful colour combinations in natural "autumn" coloured diamonds.

When an autumn coloured diamond is examined up close, and in greater detail, the wonderful expression of reflected transparent "warm" colours that is unique to the autumn family of diamonds, becomes obvious to the curious observer.

For example, a polished coloured diamond when observed at a normal viewing distance (about 14 to 18 inches from stone to eye), will exhibit a unique impression of so-called "warm" (i.e., yellow, orange, brown) coloured reflections, that often appear deceptive and mysterious as the stone is turned in the light. Depending on the position of the stone (relative to the light source and the observer), certain facets will appear to change colour, while other facets will flicker, disappearing and reappearing as if controlled by some force within the diamond.

As one becomes more familiar with viewing face-up colour in a polished autumn coloured diamond, the small geometric patches of yellow, brown, and orange colour, appear less mysterious to the eyes, and more challenging to the brain.



Figure 1

In figure 1, we see a distinctive autumn brown colour, which exhibits subtle yellow and orange colour modifiers., referred to as a yellowish orangish brown diamond, abbreviated (y-o-BR). The modified brilliant style of cut (also known as a radiant-style cut), adds considerable brilliance and scintillation (i.e. sparkle) to this gem, and also helps to accentuate the subtle colour modifiers in the face-up view as the stone is turned in the light.

AUTUMN COLOURS



Figure 2

In figure 2, we are seeing a classic autumn yellow colour, which features brown and orange highlights, referred to as an orangish brownish yellow diamond, abbreviated (o-br-Y). In this diamond, the inherent body colour appears much brighter in the face-up due to the round brilliant cut, which effectively returns a large percentage of the reflected light back toward the observer's position, adding extra strength and visual impact to the dominant yellow hue.

This is what makes autumn coloured diamonds so interesting and unusual as a coloured gemstone, trying to understand how a particular diamond's body colour has been brought to its highest expression of colour in the face-up at the hands of a skilled diamond cutter, by placing (i.e., grinding) tiny flat facets in a certain order on the diamond's surface.

In terms of natural rarity, the autumn family of colours spans a range of rarity, from the modestly rare yellow-brown and orange-brown colours, to the reasonably rare yellow-orange colours, up through the exceptionally rare pure orange and reddish orange colours (see Hofer 1998). In order to put these verbal rarity terms regarding autumn coloured diamonds into perspective, it is important to note that various diamond experts have postulated the idea that fancy colour diamonds in general, are far less abundant (i.e. truly rarer) than colourless diamonds. For example, "No adequate figures exist as to how rare fancies are...of unusually fine cut material, one stone in from 2500 to 5000 may be a fancy" (Ball 1935), and "...for each natural fancy colored diamond there are at least 10,000 colourless diamonds." (see Fritsch 1991). For the connoisseur of autumn coloured diamonds, there are so many different combinations of yellow, brown, and orange, that it is not fair to characterize the entire realm of autumn coloured diamonds with one or two examples. If we consider all the possible combinations of these three colours, and then factor in other unusual colour

modifiers that may occur in a natural autumn diamond, such as "lime" green fluorescence, or a subtle tinge of red, the autumn family of coloured diamonds presents a wonderful challenge for the eyes and colour memory of any collector or coloured diamond connoisseur.

Sincerely,
Stephen Hofer
Author: *Collecting and Classifying Coloured Diamonds*

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Figure 3

In figure 3, we have a typical autumn orange colour. This marquise shaped gem exhibits subtle brown and yellow overtones, referred to as a yellowish brownish orange diamond, abbreviated (y-br-O). The marquise shape and brilliant style cut helps to concentrate more orange colour into the face-up, especially towards the points of the marquise.

AUCTION HOUSES VS. LUXURY-RETAILERS MYTH & REALITY

Auction houses have become the most visible and powerful force at the top end of the jewelry selling industry. In the glory days of famous jewelers - Winston, Cartier, Tiffany, Van Cleef & Arpels - nearly every famous diamond, ruby and sapphire was set in a mounting bearing the signature of one of these houses. Today, these venerable retailers and some famous newcomers still sell many jewels, but the two houses that have made all the headlines in the past decade aren't jewelers at all. They are Christie's and Sotheby's, the world's largest auction houses. Each holds four large auctions annually, two in New York City and two in Geneva Switzerland, plus increasingly large auctions in Hong Kong. Their combined yearly jewelry sales volume is \$500 million and growing. Jewelry sales at auctions have increased more than five-fold in the past decade. The auction houses' ability to generate the publicity and "mystique" is a huge contributing factor to their

dominance. Though the majority of bidders at auctions once were jewelers and gem dealers, now private buyers comprise half the audience. To stimulate sales to these non-industry bidders, auction houses have begun aggressively contacting retailers' prime customers - well-heeled private buyers - through advertising, mail promotions, expensive catalogs and seminars.

Creating cachet: This explosion of jewelry auction sales in the past decade has created a demand for top jewels that far exceeds the supply of available estate pieces. When this happened, auction houses had to decide whether to limit their growth to the number of top estates they could represent or to commission new pieces. In 1986, both houses began to sell new goods. Today, about one-third of all jewelry in major auctions - including the majority of larger loose diamonds and many big necklaces and earrings - are new pieces from dealers and manufacturers.

Auction houses have welcomed this opportunity to grow, "It's like any other business," says John Block, former international jewelry director at Sotheby's. "To grow, we either increase our commissions or increase our volume. If they are beautiful pieces and the price is right, people don't care if they are newly manufactured." Francois Curiel, international jewelry director at Christie's, sees the progression of the auction business in a larger context. "We've seen a radical change in 25 years, from the times when 10 or 12 people attended auctions, eight of them dealers," he says. "Now we have hundreds, with more than 50% private buyers. But we are not the only ones who've changed radically. The whole industry has. How many diamond dealers now sell retail or to private buyers? How many now manufacture jewelry? "We're just part of this evolution."

INVESTMENT INSIGHT

Hard asset investment has for many years proved to be very sound. In today's world of finance, people are looking for a safe investment with an almost guaranteed profit margin. This comes as no surprise, as stocks and bonds in the past few years have been part of a speculative market affected by world economics and international politics. Diamonds have consistently been the highest performing hard asset in the market. It is interesting to note that although diamond production has increased in recent years, diamonds are the only investment that since 1945 have shown a consistent upward trend of profits for investors. Diamonds do NOT suddenly double your money overnight - if they did there would be even fewer left! They have maintained stability over past decades, and

have selectively shown a 13% increase in price over the past year alone. They can also be expected to rise in price in the near to mid term due to forecasted economic indicators. More importantly, they are accepted today as being the safest asset available, as the market has shown in times of turmoil and crisis. The financial media within the U.S., and leading economists of many investment institutions, are encouraging their clients to keep part of their assets either in cash or in known "hard time" assets such as diamonds. Diamonds are also one of the only assets that gives personal enjoyment while protecting your finances at the same time - whether you choose to wear them or store them in the bank vault. A small initial investment can be worthwhile and yield a sizeable percentage profit, depending on the value of the stone.

However, once you have become familiar with the market, you can build on your diamond investment for far greater potential. Should you consider selling later you will be pleased to know that this transaction, regardless of place or time, will almost never amount to a loss and is most frequently rewarded with substantial gains. Knowing the diamond market, as well as how and when to buy and sell, makes a difference. Because of this it is therefore important to work with qualified professionals who you can trust. Establishing a professional relationship with your broker is of the utmost importance and will ultimately make a difference to the investor's assets and improve his or her degree of success with the investment.

The Hope Diamond

The "Hope" diamond, a 45.52-carat dark blue stone, is undoubtedly one of the world's most famous diamonds, with a history heavily veiled by superstition. The story of the Hope is both more complete and more complex than that of any other diamond in the world. Over the years, it has developed into a fascinating mix of legend and fact. Many of the known facts do seem to lend a touch of tragedy, but legend is the only basis for much of the aura of notoriety that surrounds the Hope - and much of the lore surrounding the famous blue stone cannot be substantiated at all. The legend states that, in 1642 in Southwest India, Jean-Baptiste Tavernier, French adventurer and gem merchant, was shown a rough blue diamond that is believed originally to have weighed 112.50 carats. It eventually appeared as one of the many large diamonds that Tavernier sold to Louis XIV in 1668. Within a few years, though, according to the legend, Tavernier's son had squandered the fortune his father had received for the jewels, and the old man, forced to return to India in quest of new wealth at the age of 80, was purportedly torn apart and eaten by wild dogs.

Tavernier probably did bring the large blue rough diamond with him from India and did sell it to King Louis XIV. But history shows that, around 1686, Tavernier sold his land to the barony of Aubonne on the promise of becoming an ambassador to India. When the plans fell through, he traveled to Europe and died of unknown causes in Moscow at age 84. Louis XIV ordered the cutting of the stone, now called the French Blue diamond. The result was a 67.50-carat pear shape, which remained part of the French Crown Jewels for over 124 years. According to the legend, Louis XIV wore the French Blue once, and died shortly thereafter from smallpox. Louis XV is said never to have worn it, but to have loaned it to one of his mistresses, Countess DuBarry, who was beheaded during the French Revolution. It is also said that Louis XVI thought it the most beautiful diamond in the world and that his

queen wore it often. Her name? Marie Antoinette. Again, the legend deviates somewhat from the known facts. Louis XIV did not die of smallpox, but of gangrene. It is unlikely that Marie Antoinette or Countess DuBarry ever wore the stone, as it was set in the famous Order of the Golden Fleece in 1749 and was worn exclusively by King Louis XVI until he was deposed. It is, however, true that both King Louis XVI and



Marie Antoinette were beheaded, as was DuBarry. During the chaos of the revolution, the French Blue was stolen from the State Treasury in 1792. A stone claimed to be a rebut version of the French Blue then surfaced in London in 1830, where it was sold to Henry Phillip Hope for about U.S. \$90,000. Despite the legend that he and his family were continually beset by misfortune, from all accounts Mr. Hope led a normal life. A bachelor, he left the stone to his oldest nephew, Henry Thomas Hope, the eighth duke of Newcastle, who died at the age of 54. His widow died in 1887, having bequeathed the blue diamond to her grandson, Lord Francis Pelham Clinton (the son of her daughter), on the condition that he thereafter call himself Lord Francis Pelham Clinton Hope. Lord Francis's notorious financial difficulties seemed to have been directly related to his own

personal folly - for the most part his passion for gambling. At age sixty-two, however, he inherited the title and the property of the Duke of Newcastle from his older brother. He died in comfort at age seventy-five, leaving his title and the estate to his son. In 1908, according to the legend, the diamond was supposedly purchased by Sultan Abdul Hamid II of the Ottoman Empire (now Turkey). In Turkey, it was then said to be

worn by the Sultan's favorite, Salama Zubaya, who was later executed by her master. Abdul Hamid, sensing that revolution was imminent, reportedly decided to have a nest egg waiting for him in France. He schemed with a trusted minister, the Grand Azize, to smuggle out several large stones, including the Hope. The Grand Azize secretly plotted to sell the jewels in France and enjoy the proceeds himself. For this nefarious scheme, he engaged the services of a young Turk, who proved to be just as unscrupulous as the sultan and his minister. Enroute to France, the messenger carefully hid the jewels in a remote corner of

the train. He then shot himself in the cheek, creating a great commotion, as he alternately shouted and wept about "stolen" jewels. When the excitement subsided, he took the jewels and secreted them about his person. In reality, Lord Francis Hope sold the stone to diamond merchant Simon Frankel of New York. In 1908, Frankel sold the Hope to Selim Habib, a Turkish diamond collector, of Paris, who was indeed killed in a steamer collision off Singapore. It was "reliably reported" at the time that Habib had acted as an agent for Sultan Abdul Hamid II when Habib purchased the stone. In 1909, the New York Times reported that the stone had been sold to French diamond expert Louis Aucoc for one of his clients. The Cartier firm in Paris bought the Hope from a dealer named Rosenau. In 1910, Pierre Cartier showed the stone to a young couple, Mr. and Mrs. Edward B.

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McLean, in Paris. Mr. McLean's family owned the Washington Post and other important newspapers in the United States. Mrs. McLean had a consuming passion for jewels, as she later wrote in her autobiography, "they make me feel comfortable and even happy. The truth is, when I neglect to wear jewels, astute members of my family call in doctors because it is a sign I'm becoming ill." The legend surrounding the Hope before it was purchased in 1910 by Pierre Cartier has appeared in a variety of publications throughout the world, embellished with each new account. The first known account that Tavernier was killed by wild dogs seems to have been given by Pierre Cartier when he showed the stone to Mrs. McLean. When Mrs. McLean first saw the Hope in the summer of 1910, she rejected it with the simple explanation, "I don't like the setting." But in November of 1910, Pierre Cartier again showed her the diamond, now reset, this time at her home in Washington, D.C. After keeping it for the weekend, she decided she had to have it. Despite the legends, of which she was well aware (and which she even relished), Mrs. McLean purchased the stone in 1911. In later years, she said that she felt herself immune from any evil that might accompany the diamond, but she "wouldn't let my friends or children touch it." Despite all the

glamour and gaiety, luxury and power, Mrs. McLean's personal life had many tragic chapters. Her nine-year-old son, Vinson, protected by his parents almost frantically, slipped away from his guards in 1918 and was hit by a car and killed. Her husband was implicated in one of the great American political scandals of the 1920's. He divorced his famous wife in 1929, eventually became mentally unbalanced and died in an institution in 1946. Speaking of the diamond, Evelyn Walsh McLean said, "I like to pretend the thing brings good luck. I kid myself, of course - as a matter of fact, the luckiest thing about it is that, if I ever had to, I could hock it." Evelyn Walsh McLean wore the Hope everywhere; to the movies, to distribute sandwiches to veterans of the first World War, and even on the streets of Moscow. But she continued to be haunted by the tragedy that so many had claimed lay with the diamond. Mrs. McLean died of pneumonia on April 26, 1947, only a few months after her twenty-five-year old daughter had died from an overdose of sleeping tablets. Mrs. McLean left instructions in her will that the Hope was to be put away in a bank vault for twenty years. At that time, it was to be sold, cut up or divided among her seven grandchildren. The trustees and the Surrogate Court found this provision of the will impractical and determined that it was in

the best interest of the estate to sell the Hope together with the seventy-three other pieces of her jewelry. Harry Winston purchased the collection in April of 1949 for over one million dollars. To give the public an opportunity to see the infamous Hope, Mr. Winston used the stone as the central attraction in his Court Jewels, an exhibition that toured the United States from 1949 to 1953. Until 1958, the Hope was used at many such exhibits and charitable functions. Winston demonstrated little concern about the infamy that surrounded the Hope diamond. He said that owning the diamond gave him nothing but pleasure and good fortune, and blithely carried it with him across the Atlantic on several occasions. In 1958, Harry Winston donated the Hope diamond to the Smithsonian Institution as a gift to the American people. The Smithsonian still receives several letters a year blaming the nation's ills on the "cursed" diamond and begging the museum to somehow get rid of it. Thankfully, it has not, and the famous Hope is viewed by tens of thousands of people each year. Curse notwithstanding, the Hope is certainly one of the most beautiful, enigmatic diamonds ever to grace a royal scepter, a harem favorite, or the neck of a beautiful woman. The Hope lives on as one of the world's most fabulous legendary gemstones.



HRD LAB OFFERS SECURITY PACKAGING

Antwerp's High Diamond Council (HRD) laboratory is now offering preferred clients its new state-of-the-art security packaging for the diamonds it grades. Once the diamond has passed through the multiple grading steps of the HRD laboratory, customers have the option of getting the gem sealed in the HRD CertiCard. This new sealing system is a plastic container with several security features. The diamond is sealed in a business card size plastic case with a tiny microfilm of the stone's certificate, ensuring that the correct diamond is with

the correct certificate. The plastic seal protects the diamond from damage and dirt. One of the security features in the CertiCard is that the corners of the window have red electrostatic security bars. When the seal is broken, the red bars are irreparably broken. The window portion and the bottom card of the seal are held together with pressure-sensitive transparent adhesive so that the two pieces are firmly bonded. When the package is opened the wavy pattern on the bottom card is destroyed and the words "Safety Seal Annulled" and "Void"

appear. Once the two layers are pulled apart, it is impossible to reseal it as the red bars, text and wavy pattern will no longer line up. The plastic window showcasing the diamond is made of clear, scratch-resistant polyester. The diamond holder in the window is made of the same material and is built so that the culet is held firmly in place without touching the bottom of the card, to avoid damage to the stone. Visually, the diamond seems to float in the window optimally showing the gem's fire and brilliance.