

ADD SPARKLE TO YOUR PORTFOLIO

DIAMONDS as INVESTMENT

OVERVIEW

PRECIOUS COLLECTION

Diamonds are forever – they are portable and retain value – while coloured gems are at the top of their asset class, writes **Christie Lee**

"Say you're in the middle of a war and you have to flee your home. A piece of diamond jewellery that is locked in a small safe is the most portable thing you can take with you. With it, you'd be better positioned than many others at getting a new start in life," says Nissan Perla, founder of the Diamond Registry.

While few of us can imagine encountering such a scenario, it points to two major qualities of diamonds – their portability and their ability to retain their value down the generations.

"One buys diamonds for the long run. Diamonds have kept themselves alive for 2,000 years," Perla says. "Consider this. If someone were to buy his wife a diamond ring for their 35th wedding anniversary, he will spend money on a top-quality piece of jewellery that can be passed on from one generation to the next."

And indeed, the prices of coloured diamonds have seen strong growth in the past two decades. According to the 2018 Knight Frank Luxury Investment Index, coloured diamonds are one of 10 luxury investments to look out for, and while their prices are not rising as quickly as the likes of whiskies or burgundies, they have appreciated 70 per cent over the last decade.

As with any luxury, rarity equals value in the diamond world. According to a 2018 Bain & Company report, while demand for coloured diamonds is set to stay flat or grow up to 2 per cent through 2030, supply of all diamonds is expected to be restricted at negative 1 to 1 per cent.

The impending 2020 closure of the Argyle diamond mine is also widening the gap between demand and supply. Owned by the Rio Tinto Group, it is the fourth-largest diamond mine worldwide and produces 90 per cent of the world's coloured diamonds.

Rosa Ng, brand director of Bee's Diamonds, predicts that there will be increasing market segmentation, with diamonds near the top end of the market becoming more covetable.

"The value of investment-grade diamonds will stay strong and stable as supply stays low," she notes. "But low to average, commercial-quality diamonds will continue to dominate supply. As such, their prices will at best fluctuate heavily going forward, vulnerable to the market uncertainty from macroeconomic and geopolitical volatility this year."

Some diamonds are rarer than others and are able to command sky-high prices at auctions, such as pink diamonds.

The 18.96-carat Winston Pink Legacy went under the hammer for US\$20.16 million at Christie's in 2018 – one year after the auction house sold another 14.93-carat fancy vivid pink Promise for US\$2.64 million. But the record belongs to the Pink Star, which was sold for US\$71.2 million at Sotheby's.

Pink diamonds appreciated 302.2 per cent between 2005 and January 2019, says the Fancy Color Research Foundation, and prices are expected to shoot up further with the anticipated

closure of the Argyle diamond mine.

The West Australia mine not only supplies more than 90 per cent of the world's coloured diamonds, but also more than 90 per cent of its pink and red diamonds.

Naturally, not all pink diamonds are made equal. Unlike diamonds in the normal range ("white diamonds"), where value is based on the absence of colours, the value of coloured diamonds lies in how intensely coloured they are.

When it comes to pinks, the values of fancy intense pink, fancy vivid pink and apple pinks are expected to appreciate further, while the more common double-colour or secondary-coloured pinks, including purple-pink and brown-pink, will see slowing growth.

According to Ng, "Educated investors are becoming increasingly discerning about the pinks they acquire, to retain investment value."

Another hue enjoying stable growth is blue. While brightly coloured pink diamonds are making the headlines, blue diamonds are the rarest on the colour scheme, says Perla.

When comparing prices of pink and blue diamonds by carat, a one-carat fancy intense blue diamond costs twice as much as a pink, he says. "In reality, blue diamonds just don't come out very often."

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NISSAN PERLA, FOUNDER OF THE DIAMOND REGISTRY

Perla's sentiment is echoed by the Knight Frank Luxury Investment Index, which says that blue – particularly fancy intense blue – has performed particularly well, with some sizes increasing in value by nearly 12 per cent.

At the end of the day, both Perla and Ng encourage collectors to build portfolios around rare and high-quality diamonds.

There are a few key things to look out for. First, only buy diamonds if they come with a GIA certificate. As all diamond aficionados know, GIA's 4Cs – colour, clarity, cut and carat – pioneered the way diamonds are graded, and the organisation remains the world's most coveted grading association says Perla, who also suggests investors buy polished instead of raw diamonds.

"As good as the GIA is, it's hard for them to score a diamond that hasn't been cut. I've thought the naked eye would see small differences between two grades, it makes a whole lot of difference at auctions."

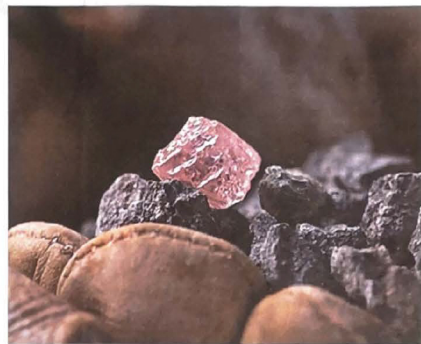
It is not just about the 4Cs, says Ng. A sound investment strategy also means "finding diamonds that defy their given grades." She cites the example of two 1.9-carat diamonds that achieved the same S12 clarity grading, as well as the same colour and cut grades. The only difference between them is that while one has all the unwanted inclusions to one side, the other has inclusions distributed towards the centre.

This renders one of the diamonds (the former) much higher in quality than the other," Ng says.

"The purer diamond has much more investment value



Pink and blue diamonds have been steadily increasing in value.



Pink diamonds from Rio Tinto's Argyle mines command high prices.



The Pink Promise sold for US\$2.64 million at Christie's.