

Diamonds are not forever

Pink diamonds an investor's best friend

Beautiful and increasingly rare, pink diamonds are being snapped up by clever investors who want to diversify their portfolios.

There are good reasons why savvy investors make pink diamonds their best friends.

Exquisite, rare and mysterious, pink diamonds are becoming "the" collector's item of the gem world.

Unlike other diamonds, pinks are a fabulous fluke of nature. No-one knows exactly how they get their colour, but geologists believe that, as the diamonds emerged from the Earth's mantle 1.6 billion years ago, their lattice molecular structure was distorted and deformed by immense pressure. Because of this, the stone absorbs light differently, emitting the pink hue.

Australia boasts the most and best pink diamonds in the world. It's all thanks to a geologist who, in 1979, was standing on the dusty plains of the Kimberley in Western Australia when he spotted an ant hill. Perched on it was something glinting in the sun - a pink diamond.

Little did he know he was standing on top of one of the richest pink diamond deposits ever found.

Pink diamonds account for less than 1 per cent of all gem-quality diamonds produced in the world, with 95 per cent of them from Rio Tinto's Argyle Mine - the site of that ant hill.

However, after more than four decades of production, Argyle's supply of pink diamonds is nearing exhaustion and the mine's life is drawing to a close.

Rio Tinto's CEO, Jean-Sebastien Jacques, confirmed earlier this month that plans to invest essential fresh capital in Argyle are under review.

In its 2016 annual report, released in March, Rio Tinto estimated remaining mineral reserves fell by two-thirds compared to the previous year.

There are no signs of further investment to extend gem mining past 2021.

In less than five years, it's farewell to one of Australia's most famous natural resources.

Although diamonds are forever, that's not the case for the pinks.

Australian Diamond Portfolio, a specialist diamond brokerage, helps investors get into the lucrative gem market.

"Pink diamonds have become an asset class of choice for private investors," says executive director Anna Cisecki.

Over the past decade, investment pink diamonds have appreciated in value significantly: latest figures show an average annual growth of 13.8 per cent for the past 10 years, says Cisecki.

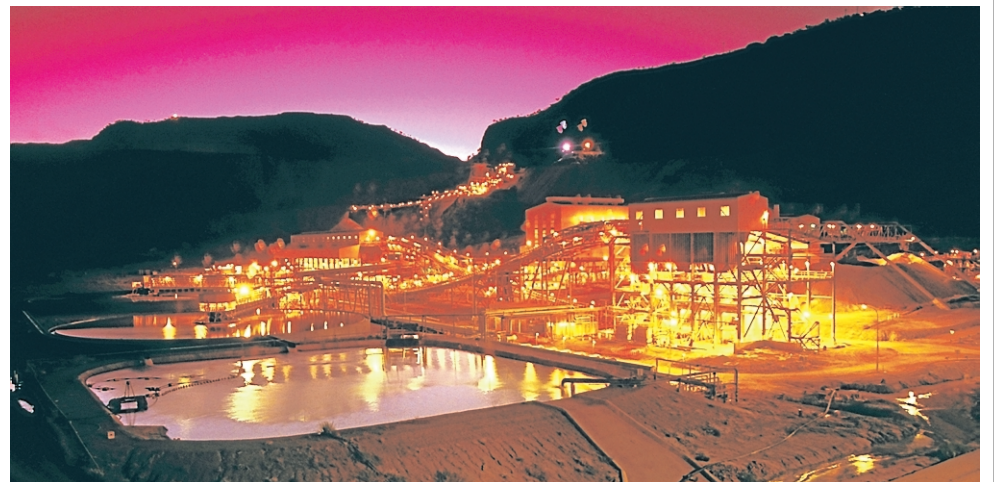
As an investment, pink diamonds have outperformed traditional asset classes including shares, cash, gold and Australian Bonds, she says.

"Like all markets, the diamond market is driven by supply and demand," Cisecki says. "Given supply constraints and rising demand, prices are likely to continue growing."

ADP's clients include private retail investors, high net-worth individuals, international investors, financial advice groups and family offices, but self-managed superannuation funds (SMSFs) are the



Clockwise from main: The pink diamond is a fabulous freak of nature; Argyle Mine has been a leading source of pink diamonds but gem mining may not extend beyond 2021; a selection of coloured diamonds. PHOTO: (MAIN IMAGE) EPA



fastest-growing segment. ADF offers investors end-to-end service: education, sourcing, acquisition, independent valuation, storage, insurance, and selling.

The starting point for an investment pink diamond is about \$A20,000 (at the current exchange rate). The end price is staggering.

The 59.6-carat Pink Star diamond is expected to fetch more than \$US60 million (\$78.7 million) when it's auctioned in Hong Kong on Tuesday. That would make the Botswana-sourced stone the most expensive diamond ever sold.

Like precious metals, diamonds are priced in US dollars, acting as a natural foreign currency hedge to manage the risk of a fluctuating Australian dollar.

Cisecki has some advice for people who want to invest in pink diamonds: "Not all diamonds make the grade.

"The key is to get the right advice and choose a diamond of sufficient beauty, rarity, and size.

"The more vibrant in colour, the more valuable it is."

She adds: "We have relationships with manufacturers all around the world, and we can custom source the best stones on the market."

Most of Australian Diamond Portfolio's clients are in this country, but a growing number are people from China, Hong Kong and the Middle East who have professional or personal ties to Australia and are seeking to move a portion of their wealth here.

Australia provides an ideal political and economic climate for the storage of assets.

"One of the wonderful things about a pink diamond as an investment is that it's one of the most discreet assets you can own," Cisecki says.

A diamond is the perfect asset to pass from one

generation to the next, and is also an easily transportable international currency.

ADP's Sydney office adjoins the private secure facility Guardian Vaults. Behind the impressive 4.5-tonne vault door are secure storage boxes, many of which hold pink diamonds.

Looking through a loupe glass at a selection of pink diamonds enclosed in secure boxes in ADP's office, it's hard not to fall in love with them.

It's why diamonds have long been considered the ultimate form of concentrated wealth.

Each diamond purchased is certified with an identification number laser-inscribed on it, independently valued and ADP takes care of the first full year of storage at the vault.

Albert Einstein once said: "The most beautiful thing we can experience is the mysterious. It is the source of all true art and all science." Perhaps he was talking about pink diamonds.

The best performing hard asset over the last 10 years

Averaging **13.8%** growth per year, pink diamonds have outperformed all traditional asset classes including equities, property, and precious metals.

- ▲ The scheduled 2021 closure of the Argyle mine, producer of 95% of the world's pink diamonds, is driving up prices as demand grows and supply moves towards exhaustion.
- ▲ Discreet, portable and transferable hard asset.
- ▲ Insulation from the fluctuations associated with traditional financial markets.

To find out more visit
diamondportfolio.com.au/learn-more

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