

Gemstone Forecaster

NGC P.O. Box 42468 Tucson, AZ 85733 1-800-458-6453 1-520-577-6222



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Back to Basics: Why Collect Gems?

by Robert Genis

Sometimes we can lose sight of why we are gem collectors. It's easy to get overly involved in the minutia of the gem business and lose focus. Here is a piece I wrote over 30 years ago to review the rationale for collecting gems.

The fascination with possessing gems is ancient and universal. Gems have intrigued and mystified us for thousands of years. They have been the gifts and ransoms of kings and queens, the reason for crimes of violence and the overthrow of rulers. Due to the indestructibility of gemstones, they can be passed from one generation to another. Collecting gems is analogous to owning other rare and beautiful objects such as art, antiques, exotic cars or collectibles: They should be purchased for their beauty, rarity and the enjoyment they give. If they retain value or appreciate, that is strictly a bonus.

Gemstone Collecting Is Fun

Unlike buying stocks or bonds, gems are enjoyable assets to accumulate. Although gemstones do not provide income in the classical sense, they provide a "psychic" income unparalleled in the collector market. When you collect top gemstones, you are buying a tangible asset that took eons to create. When you hold a

fine gem in your hands, you may not be able to put it down - its captivating radiance glows and pulsates! Once you start collecting world class gemstones, you will never again look at gems on television or in a jewelry store in quite the same manner.

Gems are Rare, Geological Miracles Mined in Politically Unstable Regions

Gemstones are finite and new finds are becoming exceedingly rare. With the exception of diamonds, most gem sources are ancient and the best gems are probably long gone. The combination of geological factors necessary to produce gemstones is so precise that deposits are limited and widely scattered. Most extensive colored gemstone mining is accomplished with primitive methods, by which production cannot be accelerated to meet demand. Most deposits are too small to exploit economically with heavy equipment. The major sources of the world's finest gems are troubled third world countries. Burma, Colombia, and Africa are politically unstable regions where supply could easily be interrupted. A simple rule of economics is when the supply of any commodity decreases, prices tend to increase.

A Centuries Old Historical Appreciation/ Gems May Preserve Capital

To Americans, the collecting of fine gems is a relatively new phenomenon. However, throughout history gems have saved people in times of political and economic crises, most recently in Nazi Germany, Vietnam, Iran, and Hong Kong. As a result of decades of political instability, currency devaluation and excessive taxation, Europeans, Asians and South Americans have long been aware of the important role gemstones play in preserving capital. Based upon historical price data, quality diamonds and colored stones have proven themselves to be excellent long-term hedges against economic uncertainty and currency depreciation. The key to successfully buying gemstones is to collect when the markets are quiet and sell when the markets are hot. Remember, only use funds that you don't need to be instantly liquid. Gemstones may represent an ideal store-of-value if inflation accelerates.

Gems are Supremely Portable, Easily Concealed and Stored

Gemstones are the most concentrated form of wealth known to man. A gem worth \$100,000 fits in the palm of your hand, yet weighs less than a penny! One ounce of the fine unheated Mogok Burma rubies could be worth over \$170 million at current price levels. These facts make gemstones the ultimate crisis hedge. If you need a private, portable, non-detectable asset, gems are an excellent vehicle.

Gems are Anonymous and Private

Currently, gemstone and diamond transactions are not individually reported to governmental agencies. You can store your gems secretly in a bank vault or other secure location. With gemstones, there is a confidentiality of ownership. However, we do recommend consulting a professional tax advisor for your personal reporting requirements.

Let's wrap it up

So let's remember why we do this. Many aspects of gemstone collecting make it fascinating, fun, private, and safe. If you don't require instant liquidity, gem collecting is worth consideration.

Gem News

Collectible investment can work Australian Business Review

By James Kirby

September 2, 2017

Continuing the collectible theme, here is a unique article about collecting in general.ED

Have you been wasting your time trawling through share tables and auction results? While you were working out share valuations and rental yields it turns out that collectibles have been doing very well indeed — and let's face it, they are a lot more fun.

According to the well-regarded Knight Frank Luxury Investment Index, the collectibles market has managed a very impressive 41 per cent over the last five years. Even over the last 12 months collectibles managed 3 per cent, which is — at the very least — better than cash.

What's more, fashions are changing once again as wine outranks classic cars for the first time in many years. It also turns out that antiques are very much on the nose.

Yet most investors are skeptical about collectibles: they know that in reality most "art" is bad, most "rare" stamps are — in fact — all too common and with very good wine ... well, it might be hard to keep it unopened for very long. But the evidence is mounting that collectibles can indeed be an investment — as opposed to an expensive pastime — for those who put the time and effort into finding out what really offers value.

The Knight Frank report is a global exercise that examines all collectibles and produces a benchmark called the KFLII, which aims to be an overarching guide to price movements over the year.

It is over the long period that the report really presents a case for serious collecting — over the last decade the KFLII is up 157 per cent — almost as good as some Australian real estate, a cynic might suggest.

But you have to look a little more closely to see how all this works. The key word is of course "luxury". The Knight Frank survey examines only the very best assets in each class — the type

that will some day end up on the floor at Sotheby's.

Taking the five-year time frame as the most reliable, it is clear that wine and cars really have shot out the lights in recent times. Collectable cars have done 129 per cent (6 per cent in the last year) while wine has done 55 per cent (24 per cent in the last year).

What these assets also have in common is measurable rarity: there is a clear audit trail of how many items were produced and who produced them.

Fashions change

Even for the amateur, this year's index lists reveals some highly revealing trends: antiques are down over every time frame, including 4 per cent in the last 12 months. Andrew Shirley, London-based editor of the latest quarterly edition of report says: "The slide has started to slow for antiques but I'm not expecting a sudden bounce back." Art — a dangerously wide category — is also showing weakness: it went backwards last year by 1 per cent.

A rational investor might easily assume that with China's once-in-a-generation leap to prosperity, Chinese collectors would be racing to collect Chinese ceramics. Not so. In fact, those Ming vases were the worst-performing asset class last year, down a disappointing 11 per cent over five years (and down a hefty 14 per cent last year). Instead it seems China collectors — who dominate the market for many asset classes — prefer wine, cars, jewelry and watches.

Elsewhere this year, RBC Capital Markets' survey of Chinese collectors' intentions (those earning more than 450,000 yuan per annum (US \$68,000 ED) finds watches rank very high among the Chinese, with Cartier well ahead of rivals Rolex, Omega and Longines.

Also faring well globally are jewelry and colored diamonds. The colored diamond market has a strong Australian dimension, with items such as the Argyle pink diamonds (owned by Rio) a favorite in global markets.

Pink diamonds have done 10 per cent a year for more than a decade. And they may feature higher on the list in the future, as Rio management mentioned this week that the life of the Argyle mine had only four years left and they

had yet to replace it. (Argyle's annual pink diamond sale happens in Hong Kong in October.)

One of the more intriguing elements of collecting anything from art to coins in recent years has been the improving transparency of these markets. Where once collectors had no choice but to trust dealers and informal networks for price information, today much is easily available over the internet.

Another significant trend is the leasing of high-end collectibles. This is at its most advanced in the art market where operators have been operating for years.

Are you convinced collecting can be an investment? The evidence is limited but there for all to see at the top of each market: for people who know what they are doing and are willing to forego any income, it can clearly work.

Of course, for any investment you have to apply the Warren Buffett dictum: the first rule is not to lose money. Collectors can be caught in the most unlikely and unfortunate situations.

On top of the many hurdles facing the investor who wants to make money, the tax office has introduced a very severe and restrictive regime for the holding of collectibles in DIY funds.

Suffice to say with the ever present risk of fraud, a draconian tax framework, the lack of regular income and the "rarity of rarity", the risk in collectibles is considerable — unless you love them more than you want to make money from them.

Extremely Rare Red Diamond Heads to Auction

Robb Report

By Victoria Gomelsky

September 8, 2017



In the fall of 2016, workers at Rio Tinto's Argyle mine in Western Australia discovered an extraordinary 4.38-carat rough diamond that appeared to glow like a red ember. Next month, a radiant-cut gem born of that rough—the 2.11-carat fancy red VS2 diamond fittingly christened the Argyle Everglow—is expected to fetch millions when it's sold in a by-invitation-only silent auction.

Welcome to the high-stakes world of the Argyle Pink Diamonds Tender, an annual sale of the finest pink, purple, red, and violet diamonds found at Argyle over a 1-year period.

In late July, the miner previewed the 58 diamonds composing the 2017 tender at a New York City penthouse, including a 1.14-carat fancy red radiant-cut named the Argyle Isla and a 2.42-carat fancy purple-pink cushion-cut dubbed the Argyle Avaline. But the Everglow, the largest fancy red diamond ever found at Argyle, emerged the hero, owing to its singular combination of color, size, and clarity.

"We find less than a teaspoon of red diamonds a year, and in 33 years, we have never presented one as remarkable as this," says Argyle Pink Diamonds manager Josephine Johnson.

To appreciate the Everglow's exceptional rarity, it helps to understand its origins. Argyle is the world's largest producer of diamonds by volume. Since opening in Western Australia's East Kimberley region in 1983, the mine has yielded more than 800 million carats of diamonds, the vast majority of them browns—better known by their more spirited names, "Cognacs" and "Champagnes."

The pinks, purples, and very occasional reds that are unearthed down under represent less than 0.1 percent of the mine's production. Every year, Rio Tinto takes the best of these polished stones on a globe-trotting tour to Hong Kong and New York, culminating in October when the miner notifies the winning bidders.

For the select group of diamantaires invited to bid at this year's sale, the Everglow represents a once-in-a-lifetime buying opportunity.

"There are less than 20 red and purplish-red diamonds over 2 carats in the whole world," says David Shara, owner of New York City-based Optimum Diamonds. "I've seen quotes from \$7 million to \$10 million. I think it's going to go for a

massive number—and someone may blow everybody out of the water."

Shara says the hype is warranted because in an industry teeming with gems labeled "one of a kind," a fancy red diamond is the ultimate anomaly. "It can't just be pink," he adds. "It has to be this cherry-strawberry kind of color. It has to have the right amount of darkness, and it still has to look like a diamond: sparkly."

Adding to red diamonds' allure is the fact that "gemological science has not yet determined the cause of their color," according to John King, chief quality officer at the Gemological Institute of America. "It may be related to pink color in diamonds, which scientists believe is the result of deformation of the diamond's internal structure while it grows in the earth."

There is another, even more compelling reason behind the Everglow's über-collectability: The Argyle mine is expected to cease operations at the end of 2021.

"What happens when there's not going to be another tender?" Shara says. "Prices will go to the moon because there's no inventory out there, and Argyle diamonds are incredibly popular."

Simply Red

Fancy red diamonds rarely come to auction, which is why it's so difficult to pinpoint their value. Below is a brief list of the most recent record-holders:

World's largest known fancy red diamond: 5.11-carat trilliant-cut Moussaieff Red (not for sale).

Total price for a red diamond: \$5 million for 2.09-carat fancy red heart-shaped diamond ring by Moussaieff, sold at Christie's Hong Kong in November 2014.

Price per carat for a red diamond: \$2.4 million per carat for the same 2.09-carat fancy red heart-shaped diamond ring by Moussaieff, sold at Christie's Hong Kong in November 2014.

Previous record-holder for total price and price per carat for a red diamond: Argyle Renaissance, a 1.92-carat radiant-cut fancy red diamond, sold at Christie's Geneva in 2013.

11 Most Expensive Gemstones in the World by Sieni Kimalainen

July 4, 2017

Sieni Kimalainen is an expert list writer. Perhaps some input from a knowledgeable gem person before publishing would have been prudent. Not sure how the list could forget Colombian emerald, Russian alexandrite and Brazilian Paraiba tourmaline. Recently at Sotheby's, the 18.05 Rockefeller emerald sold for \$5.5 million or over \$305,000 per carat. That should put it between sapphire and ruby on the list. Oh well, it's still interesting. Article was also edited for US English language.ED

Here is a list of some of the most expensive gemstones in the world.

Gemstones have been recognized for their rareness and beauty since ancient times. In the 19th century, terms precious and semi – precious stones were coined. Precious stones referred to diamonds, rubies, emeralds and sapphires, while all other gemstones were classified as semi-precious. This classification has now been rejected, because there are many differences and qualities of one kind of gemstone which resembles the price, for example, diamond qualities differ so much that their prices can differ in millions per carat.

Gemstones include some crystal minerals, rocks and organic materials (like amber or pearl) that are used as jewelry because of their properties and characteristics. Those properties are chemical composition, hardness (being at the top on the Mohs scale of hardness), density, translucency, cleavage, luster. Or, as gemologists would say, in order to rank a gemstone you need to follow the 4 Cs rule – cut, clarity, color, and carat weight. One more important characteristic that also raises prices is their rarity. Although all gemstones are pretty rare, which makes them very expensive, you will see the rarest of them further down on the list.

Prices of gemstones are determined by the combination of their characteristics and are expressed through carats. Carats are mass units used as a measure of gemstones where one karat equals 0.2 grams. So, that was the criteria we have also used here to rank the most expensive gemstones on our list. But, the prices

vary, of course, and pricing lists are usually not transparently available. We have gained and compared the information from several sources, some of them being Gem Rock Auctions, Diamond Rocks, Ratna Sagar Jewels and Gem Society. Of course, the bigger the gemstone, the higher the price, so take a look at the 11 Most Expensive Gemstones in the World.

Gemstones are much appreciated as jewelry of course, but some specimens, especially the rarest ones are in the hands of collectors and represent the enormous wealth. The treasure hunt for the rarest of them has also contributed in locating many new deposits of these gemstones. Even that being the case, the price of some of them does not fall down. So, let's now discover what those most expensive gemstones in the world are:

11. Jadeite

Price per Carat: \$21,633

Jadeite is often confused with jade, although it is a type of jade, together with nephrite (although they are chemically absolutely different, jadeite being made of sodium and aluminum, and nephrite of calcium and magnesium). What makes jadeite more valuable are its properties and the fact that it is much rarer than nephrite.

10. Grandidierite

Price per Carat: \$21,633

This gemstone is extremely rare, and apart from that, many specimens are very small, being measured in millimeter dimensions. Larger grandidierite are found in Madagascar. They are translucent blue to green gemstones.

9. Spinel

Price per Carat: \$29,217

Spinel is a very well-known gemstone exploited in Sri Lanka, Afghanistan, Burma, Tanzania, Kenya, Madagascar... It occurs as a primary mineral in some igneous rocks, peridotites, and limestone, and is often found together with rubies. This gemstone has been known and used for jewelry since the ancient times.

8. Musgravite

Price per Carat: \$37,858

Musgravite belongs to taaffeite group of gemstones, and it is extremely rare. Until 2005, only 8 specimens were known, but since then it was located in many places like Antarctica,

Madagascar, Greenland, Sri Lanka, but nevertheless, its price remained high.

7. Painite

Price per Carat: \$60,000

This is an extremely rare mineral only discovered in the 1950s, and bears the name of Arthur Pain, a mineralogist who discovered it. Although painite was very little known and was very rare until 2005 (only a couple of dozen were collected), since then some painite resources were identified, namely in Burma.

6. Sapphire

Price per Carat: \$243,702

Sapphire is a variety of corundum, which is aluminum-oxide. Sapphire comes in many colors (inclusions in corundum that can be iron, magnesium, copper or other elements), and the most famous are blue sapphires. The most famous variety is Kashmir sapphire, which comes from the Kashmir region of Pakistan and India.

5. Ruby

Price per Carat: \$1,188,745

As one of the very most famous blood-red gems, ruby is one of the most expensive gemstones in the world. It is also a variety of corundum, being distinguished by its color- from pale almost transparent to dark reddish-brown. The largest ruby deposits were in Thailand, but are now exhausted, and the most precious rubies come from Burma today.

4. Pink Diamonds

Price per Carat: \$2,054,616

We are starting the diamond series on our list. Diamonds are very rare gemstones, and colored diamonds are especially rare. The color of colored diamonds comes from impurities, or inclusions of other elements. Regarding pink diamonds, it is still not clear whether there is an element that causes this coloration, or very high pressures that impact the internal structure of diamond. Although pink diamonds are not the most expensive in \$ per carats, one specimen was sold as the most expensive diamond ever.

3. Orange Diamonds

Price per Carat: \$2,398,151

There are seven grades of orange diamonds: faint orange, very light orange, light orange, fancy, fancy intense orange, fancy vivid orange and fancy deep orange. The highest priced

orange diamond was sold for \$35,540,612 in 2013.

2. Red Diamonds

Price per Carat: \$2,438,216

Just like for the pink diamonds, it is not quite clear where the color of red diamonds comes from. In any case, they are very expensive and can only be found in several mines throughout the world, in Brazil, Russia and India, but the largest amount of red diamonds comes from Australian Argyle mine.

1. Blue Diamonds

Price per Carat: \$4,028,940

Finally, blue diamonds are among the rarest of diamonds, so no wonder they are also the most expensive gemstones in the world. As seen before, colored diamonds are much rarer than colorless ones, but the blue ones are at the top. Since Diamonds are made only of carbon, the blue tone in these diamonds comes from Boron inclusions. There are only several mines where blue diamonds come from: Cullinan in South Africa, Argyle in Australia and Golconda in India.

International Gem Reports

Burma

Gem Traders Blame Smuggling on Tax Rate

The Irrawaddy

August 4, 2017

By Htet Naing Zaw

When are worldwide governments going to learn the more you tax something, the less you get of it. Jeez. ED

The government is losing a large sum on gems and jewelry sales as gems traders smuggle them into China because of a steep trade tax, said U Myint Han, vice chairman of Myanmar Gems and Jewelry Entrepreneurs Association.

"[Gems and jewelry] merchants are smuggling not because they don't want to pay tax, but because they can't afford to pay," said the vice-chairman at a press conference on the first Myanmar Gems and Jewelry Day in Naypyitaw on Thursday.

The tax in question—the Special Commodities Tax Law—was introduced in 2016 for the sales of natural commodities such as teak, hardwood,

log, processed wood, jade and gems, as well as fuel, alcohol, beer, and cigarettes.

In 2015, the commercial tax rate was set at 15 percent for raw gemstones such as jade, rubies, sapphires, emeralds and diamonds for foreign trading, but increased to 20 percent under the Special Commodities Tax Law, plus a 5 percent trading tax, and 3 percent service charge by Myanmar Gems Enterprise, meaning the total tax was 28 percent of the price of sold items.

However, it has since been lowered to an overall 18 percent after traders' protested.

"This tax rate is inconvenient for merchants. And it is also a loss for the country. In China, you can sell as much as you like for just 2 percent [tax]," said the vice-chairman.

Gems and jewelry sales at the jade and gems emporiums have fallen as a result, he said. The 51st emporium in 2014 garnered US\$2.4 billion in sales, when the commercial tax was set at 10 percent.

The following year, in the 52nd emporium, sales dropped to \$500 million after the tax was increased, and dropped again to \$380 million at the 53rd emporium last year.

"I'm sure gems and jewelry can be had for good prices only at the emporium, but not in the outside market. They get the best prices at emporium compared to other places including China," said U Min Thu, deputy director-general of Resources and Environmental Conservation Ministry.

The tax on gems and jewelry sales has been reduced from 20 percent to 15 percent and the trading tax has been spiked recently following a request from merchants earlier this year, but the service charge remains unchanged. The total tax is now 18 percent, but smuggling persists, gems and jewelry merchants said.

"Some still smuggle even though the tax has been reduced, but not big stones, just small ones. Smuggling has existed for a long time in successive periods, but there is more smuggling now," a gems merchant told The Irrawaddy on the condition of anonymity.

Under the previous governments, gems and jewelry merchants had to show they had paid taxes once a year, but under the new government they must get tax clearances

monthly, with harsh penalties for those who fail to do so.

Parliament is working to amend the Myanmar Gemstone Law for the third time, and jewelry merchants at the conference hoped that these amendments would help streamline tax procedures.

Colombia Crime-Linked Colombia Emerald Barons Face Extradition on US Drug Charges Insight Crime Written by Angelika Albaladejo Monday, 14 August 2017

Edited for space.ED

The United States has requested the extradition of several Colombian emerald magnates on drug trafficking charges, marking the first time US authorities have targeted members of the country's lucrative emerald industry, and possibly foreshadowing a new chain of indictments to come.

Prosecutors in a Florida federal court charged four prominent Colombian emerald barons and one politician from the department of Boyacá with engaging in a cocaine trafficking conspiracy between 2002 and 2015. Their drug trafficking network allegedly spanned Colombia, Venezuela, Mexico, Haiti and the Dominican Republic, according to an indictment filed on July 28.

In connection with the charges, the United States has requested the extradition of José Rogelio Nieto, the former mayor of Cúper in Boyacá, as well as brothers Gilberto, Ómar and Pedro Rincón and their brother-in-law Horacio Triana, all of whom have held prominent positions in the region's lucrative emerald industry.

Gilberto Rincón currently heads the family's emerald mining business and serves as a local councilman. His brothers Omar and Pedro Rincón are both currently jailed for separate homicide charges. Triana was also arrested in 2016 on charges of attempted murder.

Several more US extradition requests are expected to follow for judges, public prosecutors and a journalist on charges of obstruction of justice in the case, according to Semana.

This marks the first time the United States has requested the extradition of prominent figures tied to Colombia's lucrative and bloody emerald industry. But despite a cloud of suspicion over some of the suspects' potential illegal activities surrounding the often crime-ridden mineral trade, the United States has chosen to pursue the suspects on drug trafficking charges instead.

Petrit Baquero, who detailed evidence of ties between Boyacá's emerald barons and a slew of organized crime groups in his book "The New Green War", told InSight Crime that the region of Boyacá "has always been fertile for laundering money because emeralds are expensive and the cost is determined based on what the market is willing to pay ... making it very easy to wash money in that way, in many cases drug money." Baquero also said that Triana and the Rincón brothers "are important emerald barons" who "have always been tied to illegal activities and drug trafficking, from the start."

Triana and the Rincóns have been linked to a range of illegal groups, including the United Self-Defense Forces of Colombia, local mafias and drug traffickers, Baquero said.

However, the US indictment against them mentions neither emeralds nor money

laundering -- only conspiracy to traffic cocaine. This is representative of a longstanding pattern of US extradition requests made based on drug trafficking charges for individuals who are alleged to have committed arguably more serious crimes in their home country.

For example, Colombia extradited 14 former AUC paramilitary leaders to the United States in 2008 to face drug trafficking charges, despite the fact that some of these leaders were accused of "crimes against humanity" in Colombia, including mass displacement, murder and enforced disappearances.

Baquero said that the suspects from Boyacá "have plenty to be held to account for, including many murders and even massacres." But he questioned whether Colombian institutions would be able to serve justice in their cases. And he suggested that extradition, even if only on drug charges, might generate a more effective deterrent effect.

The suspects "still have a great deal of power in Colombia," Baquero said. "And in the prisons, they would likely become bosses ... I think these individuals, who are recognized here as important emerald barons -- not as drug traffickers -- fear extradition."

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